NEW ISSUE—FULL BOOK ENTRY

NON-RATED

In the opinion of Cox, Castle & Nicholson LLP, San Francisco, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming (among other things) compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences caused by ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$58,660,000
CITY OF ROSEVILLE
NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX REFUNDING BONDS
SERIES 1999

Dated: Date of Delivery

Due: September 1, as shown below

The City of Roseville North Central Roseville Community Facilities District No. 1 Special Tax Bonds Series 1999 (the "Bonds") are being issued by the City of Roseville (the "City") by and through its North Central Roseville Community Facilities District No. 1 (the "District") to refund the City's North Central Roseville Community Facilities District No. 1 Special Tax Bonds (the "Prior Bonds") issued in June 1991 and currently outstanding in the aggregate principal amount of $58,420,000. The Prior Bonds were issued to finance the acquisition of certain public facilities necessary for development of property in the District. A reserve fund will be established for the Bonds and proceeds of the Bonds will be used to pay the costs of issuance of the Bonds.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Interest on the Bonds is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing September 1, 1999. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Trust Company, National Association, San Francisco, California, as the fiscal agent, registrar and transfer agent (the "Fiscal Agent") for the Bonds, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "THE BONDS—Book-Entry System."

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS—Redemption."

The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, *et seq.* of the California Government Code (the "Act"), and are being issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 1999 (the "Fiscal Agent Agreement"), by and between the City and the Fiscal Agent. The Special Tax will be collected in the same manner and at the same time as *ad valorem* real property taxes are collected by the County Tax Collector of Placer County, State of California.

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owner will be able to pay the Special Tax or that it will pay such Special Tax even though financially able to do so.

THE PAYMENT OF THE INTEREST ON OR PREMIUM OR PRINCIPAL OF THE BONDS IS NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE CITY. THE GENERAL FUND OF THE CITY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE MONEY IN THE SPECIAL TAX FUND DESCRIBED HEREIN. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE CITY COUNCIL NOR THE CITY NOR ANY OFFICER OR EMPLOYEE THEREOF SHALL BE LIABLE FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS OTHER THAN FROM THE PROCEEDS OF THE SPECIAL TAX AS PROVIDED IN THE FISCAL AGENT AGREEMENT.

This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the Bonds.

MATURITY SCHEDULE

Date (September 1)	Amount	Interest Rate	Price or Yield	Date (September 1)	Amount	Interest Rate	Price or Yield
2000	$2,065,000	4.10%	100%	2005	$2,590,000	5.10%	100%
2001	2,150,000	4.60	100	2006	2,720,000	5.20	100
2002	2,245,000	4.70	100	2007	2,865,000	5.30	100
2003	2,350,000	4.85	100	2008	3,015,000	5.40	100
2004	2,465,000	5.00	100				

$36,195,000 5.80% Term Bonds due September 1, 2017, Price 100%

The Bonds are offered when, as and if issued, subject to approval as to their legality by Cox, Castle & Nicholson LLP, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Cox, Castle & Nicholson LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery to DTC on or about June 8, 1999 in New York, New York.

Stone & Youngberg LLC

PaineWebber Incorporated

The date of this Official Statement is May 26, 1999

CITY OF ROSEVILLE, CALIFORNIA

City Council

Harry Crabb, *Mayor*
Claudia Gamar, *Mayor Pro Tempore*
Dan Goodhall, *Councilmember*
Randy Graham, *Councilmember*
Earl Rush, *Councilmember*

City Staff

Allen E. Johnson, *City Manager*
Phil E. Ezell, *Finance Director*
Mark Doane, Esq., *City Attorney*
Carolyn Parkinson, *City Clerk*

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San Francisco, California

Fiscal Agent

U.S. Trust Company, National Association
San Francisco, California

Escrow Agent

U.S. Trust Company, National Association
San Francisco, California

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Verification Agent

Deliotte & Touche LLP
Houston, Texas

Appraiser

Bender Rosenthal
Sacramento, California

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City, the District or the Underwriters. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or the property owners within the District, or in the property within the District since the date hereof. The summary of the Fiscal Agent Agreement and certain other documents and agreements herein are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is made hereby to the Fiscal Agent Agreement and such documents on file with the Fiscal Agent for further information. All capitalized terms used herein, unless noted otherwise, will have the meanings prescribed in the Fiscal Agent Agreement.

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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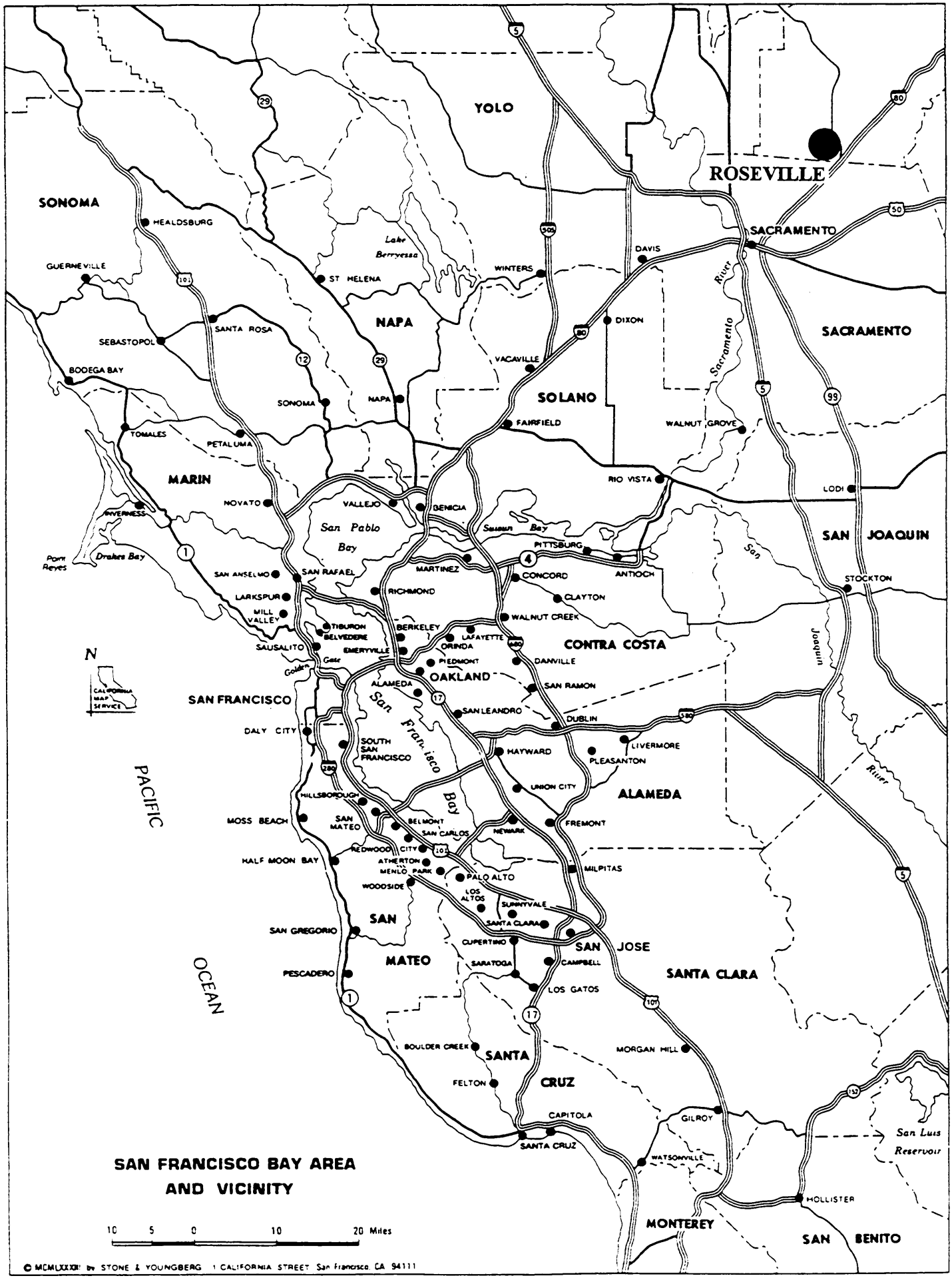
LOCATION MAP



SAN FRANCISCO BAY AREA AND VICINITY

OFFICIAL STATEMENT

$58,660,000
CITY OF ROSEVILLE
NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX REFUNDING BONDS
SERIES 1999

INTRODUCTION

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the "City") by and through its North Central Roseville Community Facilities District No. 1 (the "Community Facilities District" or the "District") of $58,660,000 aggregate principal amount of bonds designated City of Roseville North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds Series 1999 (the "Bonds"). The Bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 *et seq.* of the California Government Code (the "Act"), a Fiscal Agent Agreement, dated as of June 1, 1999 (the "Fiscal Agent Agreement"), by and between the City and U.S. Trust Company, National Association, as fiscal agent (the "Fiscal Agent") and Resolution No. 99-128 (the "Resolution") adopted on April 21, 1999 by the City Council of the City (the "City Council") which authorized the issuance of the Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City.

The Bonds are being issued to refund the City's North Central Roseville Community Facilities District No. 1 Special Tax Bonds (the "Prior Bonds") issued in June 1991 and currently outstanding in the amount of $58,420,000. See "THE REFUNDING PLAN." The Prior Bonds were originally sold to provide the City with a portion of the funds needed to construct and acquire certain public improvements, including roadway, sewer, water and drainage facilities (the "Improvements" as more particularly described herein) required for development within District. The Improvements financed with the Prior Bonds have been completed. See "THE IMPROVEMENTS." Proceeds of the Bonds will also be used to establish a reserve fund with respect to the Bonds and to pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS." The amount of Bond proceeds or other security deposited into the Reserve Fund upon issuance of the Bonds will equal the "Reserve Requirement," which is the lesser of (i) 10% of the original principal amount of the Bonds or (ii) 100% of maximum annual debt service on the Bonds, or (iii) 125% of average annual debt service on the Bonds. See "THE BONDS."

The Bonds will be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, without coupons, in the denomination of $5,000 or any integral multiple thereof and will be dated as of and bear interest from their dated date, at the rate or rates set forth on the cover page hereof. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners means Cede & Co., and does not mean the ultimate purchasers of the Bonds, and payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "THE BONDS — Book-Entry System."

The Act was enacted by the California Legislature to provide a method of financing certain public facilities and services, especially in developing areas. Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a vote of electors or landowners in the district and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes within such district to repay such bonded indebtedness.

Pursuant to the Act, the City Council adopted Resolution No. 90-184 on August 1, 1990 establishing the District to provide for the issuance of bonds and an election was held pursuant to the Act on September 25, 1990 authorizing the issuance of approximately $95 million of bonds. The landowners who then comprised the qualified electors of the District authorized the District, by passing the ballot measure, to incur bonded indebtedness to finance the Improvements and approved the rate and method of apportionment of Special Tax (as later amended, the "Special Tax Formula") for the District. The Bonds are payable from the Special Taxes (the "Special Tax" or "Special Taxes") levied and collected against property in the District. The City has covenanted not to issue any additional bonds secured by the Special Tax. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The original Special Tax Formula was amended with the consent of the property owners pursuant to Resolution No. 94-113 adopted by the City on May 4, 1994, to provide for a pay-as-you-go component of the Special Tax. See "THE IMPROVEMENTS" below.

The City is located about 16 miles northeast of Sacramento, the State capital, and 110 miles east of San Francisco in California's Sacramento Valley, near the foothills of the Sierra Nevada. With a population of 66,900 as of January 1998, Roseville is the largest city in Placer County in addition to being its residential and industrial center. The City was incorporated April 10, 1909. The City adopted its first charter in 1934 and its present charter in 1955. See "THE DISTRICT - Overview of Southwestern Placer County." See also Appendix D. *The payment of the interest on or principal of or redemption premium, if any, on the Bonds is not a general debt, liability or obligation of the City. The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premium, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the money in the Special Tax Fund described herein. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council nor the City nor any officer or employee thereof will be liable for the payment of the interest on or principal of or redemption premium, if any, on the Bonds other than from the proceeds of the Special Tax as provided in the Fiscal Agent Agreement.*

The District is located in the northern portion of the City, 1½ miles north of downtown Roseville and includes 1,225 acres within the 1,715-acre North Central Roseville Specific Plan area. During the

past 20 years, significant portions of the City and adjacent areas have experienced a transition from largely undeveloped, agriculturally oriented uses toward a mixture of urban land uses, and this transition has particularly intensified during the past 10 years. Property in the District includes and is partially bordering recently constructed and new single-family residential developments, located both in the District and in the Northwest Roseville Specific Plan area, which lies west of the District. See "THE DISTRICT."

The District is comprised of approximately 1,225 acres consisting of 92 acres of public-quasi public land and 1,133 acres of developable property. When the District was formed, there were 52 legal parcels, with approximately 14 ownerships. The District comprises 1,284 legal assessor parcels on the fiscal year 1998-99 tax roll. Approximately 681 parcels are now improved with single family residences, and approximately 41 acres comprising several commercial sites are also improved, including Price Club, Toys R Us, McDonalds, and various other retail commercial developments. In addition, land currently under development includes the approximate 94 acre site of a major regional mall currently under construction and a 79 acre portion of the office-retail Creekside project, as described more fully herein. Approximately 28% of the developable land area within the District (318 acres) is improved or has construction underway on the parcels, another approximately 100 acres of single family residential units are under construction or have received certificates of occupancy, 122 commercial-zoned acres have received planning approval, and the balance of 593 acres (52%) is currently vacant and undeveloped and can be developed pursuant to the guidelines of the North Central Roseville Specific Plan. See "THE DISTRICT — The North Central Roseville Specific Plan." Development in the District has proceeded more slowly than anticipated by the City at the time the District was formed, however development activity has increased in the past two years. See "THE DISTRICT - Current and Anticipated Development Within the District" below. The largest owner of property within the District, Richland Irvine, Inc., holds undeveloped property allocated approximately 25% of the Special Tax lien and is a land developer who contemplates selling its property to builders. Current property sales in escrow for this landowner would reduce that concentration to 20.7%. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. *Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no enforceable commitment to pay the principal of or interest on the Bonds. There is no assurance that the owners have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so.*

See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

Brief descriptions of the Bonds, the sources of payment for the Bonds, the City, the District, Special Risk Factors, the Fiscal Agent Agreement, the Special Tax Formula, the Appraisal and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement and other documents are qualified in their entirety by reference to each such document and the information with respect thereto included in the Bonds, such Fiscal Agent Agreement and other documents.

Any statements made in this Official Statement involving matters of opinion, projection or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the projections or estimates will be realized.

THE REFUNDING PLAN

The Prior Bonds were originally issued in June 1991 in the aggregate principal amount of $90,125,000 and are currently outstanding in the aggregate principal amount of $58,420,000. At the time the Prior Bonds were issued, approximately $26 million of the proceeds were placed in an escrow fund. The escrowed proceeds were to have been used for construction of improvements within the District, provided certain value-to-lien ratios and other preconditions were satisfied. Due to the slow pace of development, non-payment of the Special Tax by a major property owner (among other matters), the escrow was released in June 1993 and a corresponding portion of the Prior Bonds were redeemed. See "THE DISTRICT - Progress of Development Within the District" below. In connection with the release, the original Special Tax Formula was amended to include a pay-as-you-go component (the "Pay-As-You-Go Obligation") so that the improvements originally planned to be financed with proceeds of the portion of the Prior Bonds which had been escrowed could continue to be funded through the Special Tax. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Special Tax Methodology" below.

A portion of the proceeds from the sale of the Bonds will be deposited with U.S. Trust Company, N.A. (the "Escrow Agent") pursuant to an Escrow Deposit and Trust Agreement, dated June 1, 1999 (the "Escrow Agreement"), by and between the City and the Escrow Agent. Such amount, together with certain other available monies, including certain money currently held pursuant to and under the fiscal agent agreement pursuant to which the Prior Bonds were delivered, will be held in escrow and invested in direct obligations of the United States of America (the "Escrow Securities"), the principal of and interest on which will be sufficient to redeem the outstanding Prior Bonds in full on November 1, 2001.

The Escrow Securities and other monies held under the Escrow Agreement will be pledged to payment of the Prior Bonds. Neither the principal of the Escrow Securities nor the interest thereon will be available for payments with respect to the Bonds.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. 99 128 adopted by the City Council on April 21, 1999 and the Act. The Bonds are issued as special tax refunding bonds pursuant to Section 53362 of the Act.

Description of the Bonds

The Bonds will be issued only as one fully registered Bond for each maturity without coupons in the denomination of $5,000 or any integral multiple thereof, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "THE BONDS — Book-Entry System" below. The Bonds will be dated as of and bear interest from the dated date, at the rates and mature in the amounts and years, as set forth on the cover page hereof. The principal of the Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of U.S. Trust Company, National Association (the "Fiscal Agent") in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds.

Interest on the Bonds, computed on the basis of a 360-day year consisting of twelve 30-day months, will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing September 1, 1999. Interest on

the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date of any Owner of $1,000,000 or more in aggregate principal amount of Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable by the Fiscal Agent, to the Depository. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "Book-Entry System" below.

Redemption

Optional Redemption. The Bonds are subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as may be specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2009, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
September 1, 2009 and March 1, 2010	102%
September 1, 2010 and March 1, 2011	101%
September 1, 2011 and thereafter	100%

Mandatory Redemption From Prepayments. The Bonds are subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as may be specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
September 1, 1999 to and including March 1, 2009	103%
September 1, 2009 and March 1, 2010	102%
September 1, 2010 and March 1, 2011	101%
September 1, 2011 and thereafter	100%

The proceeds of any such Prepayment will be deposited in the Prepayment Account of the Bond Fund and applied by the Fiscal Agent to pay the redemption price of the Bonds.

Mandatory Sinking Fund Redemption. The Bonds maturing September 1, 2017 are subject to mandatory sinking payment redemption in part on September 1, 2009, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Mandatory Redemption Date (September 1)	Sinking Fund Payment	Mandatory Redemption Date (September 1)	Sinking Fund Payment
2009	$3,175,000	2014	$4,210,000
2010	3,360,000	2015	4,455,000
2011	3,555,000	2016	4,715,000
2012	3,760,000	2017 (maturity)	4,985,000
2013	3,980,000		

The amounts in the foregoing table will be reduced pro rata, in order to maintain substantially level debt service, as a result of any prior partial optional redemption or mandatory redemption of the Bonds from prepayments.

In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate of the City requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Redemption Procedure by Fiscal Agent. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or will state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, will state as to any Bond called in part the principal amount thereof to be redeemed, and will require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said

redemption price, and will state that further interest on such Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, of the Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent will select the Bonds to be redeemed, from all Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion may deem appropriate. Upon surrender of Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium, if any, on the Bonds so called for redemption will have been deposited in the Bond Fund, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of Bonds

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See "THE BONDS — Book-Entry System." Any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds is surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of Bonds will be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond becomes mutilated, the City will execute, and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent will be canceled by it and destroyed by the Fiscal Agent who will deliver a certificate of destruction thereof to the City. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the Fiscal Agent and the City satisfactory to the Fiscal Agent is given, the City will execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section

and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those

Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

The City cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law, or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the City will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the following provisions would apply: the principal of and redemption premium, if any, on the Bonds will be payable at the corporate trust office of the Fiscal Agent in San Francisco, California, and interest on the Bonds will be payable by check mailed on each interest payment date to the registered owners thereof as shown on the registration books of the Fiscal Agent as of the close of business on the 15th day of the calendar month immediately preceding the applicable Interest Payment Date or by wire transfer as provided in the Fiscal Agent Agreement. Bonds will be transferable and exchangeable on the terms and conditions provided in the Fiscal Agent Agreement. See "THE BONDS — Transfer and Exchange of Bonds" above.

ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the Bonds is set forth below:

Estimated Sources of Funds:	
Principal Amount of Bonds	$58,660,000.00
Monies Available From Prior Bonds	11,459,628.34
Total	$70,119,628.34
Estimated Uses of Funds:	
Deposit to Escrow Account	$63,720,593.34
Deposit to Reserve Fund	5,279,135.00
Costs of Issuance [1]	1,119,900.00
Total	$70,119,628.34

[1] Includes fees of Bond Counsel, initial fees, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, Underwriters' discount and other costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Taxes

A Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of the Rate and Method of Apportionment of the Special Tax adopted by the City Council in connection with the formation of the District and the issuance of the Prior Bonds. The Special Tax Formula is set forth in APPENDIX A hereto for all properties in the District. As the parcels are subdivided for development, a portion of the Special Tax will be allocated to each subdivided parcel according to the Special Tax Formula. Interest and principal on the Bonds is payable from the annual Special Taxes to be levied and collected on property within the District, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Rebate Fund and the Costs of Issuance Fund) and investment earnings thereon, and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds may be paid, is strictly limited by the maximum rates approved by the qualified electors within the District which are set forth as the "Maximum Annual Special Tax" in the Special Tax Formula. Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount not in excess of the Maximum Annual Special Tax. The Special Taxes and any interest earned on the Special Taxes constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon may not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the Owners thereof and will be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Annual Costs (as defined in the Special Tax Formula and described under the caption "Special Tax Methodology" below) among the taxable parcels of real property within the District according to the rate and methodology set forth in the Special Tax Formula. See "Special Tax

Methodology" below. See also "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Special Taxes are exempt from the property tax limitation of Article XIIIA of the California Constitution, pursuant to Section 4 thereof as a "special tax" authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Act in an amount determined according to a methodology approved by the City. See "Special Tax Methodology" below and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The City has covenanted to annually levy the Special Taxes in an amount sufficient to pay the Annual Costs. For fiscal years 1994-95 through 1998-99, the City has levied the Special Tax at the Maximum Annual Special Tax rate authorized by the qualified electors within the District as set forth in the Special Tax Formula, and such levy provided for payment of the Prior Bonds as well as the Pay-As-You-Go Obligation described below. See "Special Tax Methodology" below. Because each Special Tax levy is limited to the Maximum Annual Special Tax rates authorized, as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the foregoing amount will in fact be collected in any given year. See "SPECIAL RISK FACTORS — Insufficiency of Special Taxes" herein. The Special Taxes are collected for the City by the County of Placer in the same manner and at the same time as *ad valorem* property taxes.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula (defined terms set forth below in this section have the meanings set forth in the Special Tax Formula) set forth in "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Each year, the City will approve the costs of the District for the upcoming fiscal year. The Annual Costs defined in the Special Tax Formula include the following items (i) debt service on the Bonds; (ii) administrative expenses of the District; (iii) replenishment of the Reserve Fund; (iv) anticipated Special Tax delinquencies; and (v) the annual allocable Pay-As-You-Go Obligation. These Annual Costs will be spread among the parcels in the District subject to the Special Tax in accordance with the methodology set forth in the Special Tax Formula.

The Pay-As-You-Go Component. The Special Tax includes amounts needed to pay debt service on the Bonds as well as an amount designated as the "Pay-As-You-Go Obligation." The total, cumulative, revised Pay-As-You-Go Obligation is an amount equal to $15,294,692 and is levied to fund construction of particular improvements listed in the Special Tax Formula as the "Subsequent Improvements" which are improvements necessary for development in the District but which are not to be funded from proceeds of bonds. The original amount of Special Tax attributable to this component of the Improvements was $16,149,354. Subsequent to the establishment of such amount, the anticipated cost has been reduced to $15,294,692 due to cost reductions and changes to the Subsequent Improvements, however the full amount authorized continues to be available and may be utilized. Of such amount, approximately $2.17 million has been collected and expended on improvements, $8.89 million has been collected and is being held by the City to be expended on improvements, and the balance of approximately 4.23 million remains to be collected from future Special Taxes. The current Maximum Annual Special Tax levy is approximately $7.55 million, and this amount will continue to be levied (assuming no prepayments, other than those completed to date) until the Pay-As-You-Go Obligation is fulfilled. After the Pay-As-You-Go Obligation has been met (which is currently expected to be within 3 to 7 years), the Maximum Annual Special Tax will be reduced to $6.59 million (assuming no prepayment other than those completed to date) in accordance with the Special Tax Formula. So long as the Bonds are outstanding, all of the annual Special Taxes collected, including the amount attributable to the annual

Pay-As-You-Go Obligation, will be available for payment of the Bonds, except that the City is permitted to use the amount attributable to the Pay-As-You-Go Obligation, after satisfaction of the annual Bond debt service, and replenishment of the Reserve Fund, from time to time for payment of the cost of the Subsequent Improvements and once used for such purpose, such amount will no longer be available for debt service on the Bonds.

The Special Tax Formula provides that until all of the improvements to be constructed from proceeds of the Pay-As-You-Go Obligation are complete, each parcel that has not satisfied its entire Pay-As-You-Go Obligation (a "Subsequent Improvement Parcel") will be taxed at its maximum rate. In the years after completion of the funding of the Subsequent Improvements, the costs funded by the levy of the Special Tax will be determined by adding the annual cost of the items listed as (i) through (iv) above and subtracting other available revenues. In either event, after calculating Annual Costs, the City will then apply the Special Tax Formula to determine the tax levy necessary for each parcel to pay the Annual Costs. After completion of the funding of the Subsequent Improvements, the Maximum Annual Special Tax Levy will not include any amount attributable to the Pay-As-You-Go Obligation and will therefor equal approximately $6.59 million (assuming no prepayment other than those completed to date). See "APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Parcels Subject to the Special Tax. The City will prepare a list of the parcels subject to the Special Tax according to the Special Tax Formula and using the records of the City and the County Assessor. The City will tax all parcels within the District except tax-exempt parcels and parcels that have prepaid their Special Tax obligations as described in the Special Tax Formula.

Assignment of Maximum Annual Special Tax. The Special Tax Formula describes in detail the method for assigning the Maximum Annual Special Tax to parcels within the District, which generally provides that each year the City will use the definitions contained in the Special Tax Formula to classify each parcel as tax-exempt or taxable. The Special Tax Formula assigns a total maximum tax to the "Original Parcels" that existed at the time the Special Tax Formula was adopted and provides a methodology for reallocating the tax to Successor Parcels (as defined in the Special Tax Formula) upon subdivision or splits of such Original Parcels based on pro rata shares of net developable area. The amount of the Special Tax can be calculated using the Special Tax Formula and varies for each Original Parcel and will vary for each Successor Parcel. See "Levy of Maximum Annual Special Tax and Debt Service Coverage" below.

Termination of the Special Tax. The Special Tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the Improvements and to pay the Annual Costs. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal year 2020-2021. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. Subject to certain conditions, landowners may permanently satisfy all or a portion of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. The prepayment amount will be established by following the procedures described in the Special Tax Formula. Prepayment is permitted only under certain conditions as set forth in the Special Tax Formula, including the following (capitalized terms have the meanings set forth in the Special Tax Formula):

- To be eligible for prepayment, the parcel must be a whole Original Parcel greater than one acre or a group of contiguous Successor Parcels, greater than or equal to ten gross acres, with a common owner. However, if a Successor Parcel larger than 10 gross acres is subdivided and a Successor Parcel less than ten acres remains, the smaller Successor Parcel will be

allowed to take advantage of the same prepayment provisions offered to the Original Parcel from which it was created.

- Prepayment must first be made on the Pay-As-You-Go Obligation attributable to the parcel prepaid, whereupon the parcel will become a "Debt Service Parcel," which is a parcel that has satisfied its Pay-As-You-Go Obligation.

- Partial Prepayment of the Special Tax may only be made (i) in an amount equal to the Pay-As-You-Go Obligation or (ii) in an amount equal to the Pay-As-You-Go Obligation plus 25% of the Special Tax obligation remaining after payment of the Pay-As-You-Go Obligation. Under the Special Tax Formula, prepayment of the Special Tax under either alternative releases the parcel from its Pay-As-You-go Obligation. The amount of prepayment attributable to prepayment of the Pay-As-You-Go Obligation will be deposited by the City into the Special Tax Fund. See "Special Tax Fund" below.

Levy of Maximum Annual Special Tax and Debt Service Coverage

The City plans to levy the Maximum Annual Special Tax on all parcels in the District until all of the Pay-As-You-Go Obligation has been met. See "THE IMPROVEMENTS" below. The Maximum Annual Special Tax Levy for fiscal year 1998-99 was $7,548,004 for the entire District, and it is expected to be approximately the same for the fiscal year 1999-2000 (accounting for the property owner prepayments for certain parcels) which would provide annual debt service coverage on the Bonds of approximately 143% for fiscal year 1999-2000. After the Pay-As-You-Go Obligation has been met (which is currently expected to be within 3 to 7 years), the City contemplates that the Maximum Annual Special Tax will be reduced to $6.59 million (assuming no prepayment other than those completed to date) in accordance with the Special Tax Formula. This revised Maximum Annual Special Tax is estimated to provide debt service coverage on the Bonds of approximately 125%. See "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS — Special Tax Methodology" above. See also "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The Fiscal Agent Agreement provides that no additional bonds secured by the levy of Special Tax may be issued.

Special Tax Fund

When received, the Special Taxes are required under the Fiscal Agent Agreement to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds. Within the Special Tax Fund, the Treasurer will establish and maintain two accounts, (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenue, and (ii) the Surplus Account, to the credit of which the City will deposit surplus Special Tax Revenue as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenue will be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the Reserve Fund balance to the Reserve

Requirement, the amount in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account. In any event, on September 15th of each year the City will transfer to the Surplus Account the amount remaining in the Debt Service Account.

From time to time, the City may withdraw from Surplus Account of the Special Tax Fund amounts needed to pay the Subsequent Improvements described in the Special Tax Formula. Moneys in the Surplus Account may, at the City's discretion, also be used to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement.

From time to time, the City will withdraw from Debt Service Account and-or the Surplus Account of the Special Tax Fund amounts needed to pay the City Administrative Expenses; provided that such transfers may not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses.

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the City's option, the Special Taxes may be billed directly to property owners. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in superior court to foreclose any lien therefor.

The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 each year review the public records of the County of Placer relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the City determines on the basis of such review that the amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, it will within thirty (30) days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in the District for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; *provided,* that if the City determines on the basis of such review that the amount so collected is deficient by less than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, but that (a) property owned by any single property owner of property used for non-residential or zoned for non-residential uses in the District is delinquent cumulatively by more than $25,000 with respect to the Special Tax due and payable by such property owner in such current or prior Fiscal Years, or (b) property owned by any single property owner of property used for residential or zoned for residential uses in the District is delinquent cumulatively by more than $3,000 with respect to the Special Tax due and payable by such property owner in such current or prior Fiscal Years, then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against such property owner. The Treasurer will notify the City Attorney of any such delinquency of which it is aware, and the City Attorney will commence, or cause to be commenced, such proceedings.

Foreclosure proceedings are instituted by the bringing of an action in the superior court of the County of Placer, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale for a minimum price which will be sufficient to pay or reimburse the delinquent Special Taxes.

The Owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in

payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the maximum limits set forth in the Special Tax Formula, the City may adjust (but not to exceed the maximum limits) the Special Taxes levied on all property within the District to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund.

Under current law, a judgment debtor (property owner) has at least 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the County. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments.

Reserve Fund

In order to secure further the timely payment of principal of and interest on the Bonds, the City is required to maintain on deposit in the Reserve Fund held by the Fiscal Agent an amount set forth in the Fiscal Agent Agreement equal to the "Reserve Requirement," which, as of the date of calculation, is the lesser of 10% of the original principal amount of the Bonds, 100% of maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds. The City is required to maintain an amount of money or other security equal to the Reserve Requirement in the Reserve Fund while the Bonds are outstanding. All amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent will provide written notice thereof to the Finance Director. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent will transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of the principal of and interest on the Bonds, except that investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with rebate requirements.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and to make any other transfer required under the Fiscal Agent Agreement, the Fiscal Agent will transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund will be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund

will be retained in the Reserve Fund, except for amounts necessary for making payment to the federal government to comply with rebate requirements.

DEBT SERVICE SCHEDULE

The annual debt service on the Bonds based on the interest rates and maturity schedule set forth on the cover of this Official Statement is set forth in the below.

NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
Debt Service

Year Ending (September 1)	Principal	Interest	Total
1999		$ 740,959.44	$ 740,959.44
2000	$2,065,000	3,213,800.00	5,278,800.00
2001	2,150,000	3,129,135.00	5,279,135.00
2002	2,245,000	3,030,235.00	5,275,235.00
2003	2,350,000	2,924,720.00	5,274,720.00
2004	2,465,000	2,810,745.00	5,275,745.00
2005	2,590,000	2,687,495.00	5,277,495.00
2006	2,720,000	2,555,405.00	5,275,405.00
2007	2,865,000	2,413,965.00	5,278,965.00
2008	3,015,000	2,262,120.00	5,277,120.00
2009	3,175,000	2,099,310.00	5,274,310.00
2010	3,360,000	1,915,160.00	5,275,160.00
2011	3,555,000	1,720,280.00	5,275,280.00
2012	3,760,000	1,514,090.00	5,274,090.00
2013	3,980,000	1,296,010.00	5,276,010.00
2014	4,210,000	1,065,170.00	5,275,170.00
2015	4,455,000	820,990.00	5,275,990.00
2016	4,715,000	562,600.00	5,277,600.00
2017	4,985,000	289,130.00	5,274,130.00
TOTAL	$58,660,000	$37,051,319.44	$95,711,319.44

THE IMPROVEMENTS

General

The District was formed for the purpose of funding approximately $90 million of infrastructure improvements necessary for development of property within the District, including streets and roads, highway overpasses and interchanges, water system improvements, neighborhood parks, lighting and landscaping improvements, sewer facilities, storm drainage facilities and elementary and middle schools. At the time the District was formed, property in the District was entirely undeveloped and subject to the North Central Roseville Specific Plan and the Development Agreements (described below).

Development of the undeveloped property is subject to various development agreements (the "Development Agreements") entered into by various land developers (the "Developers") and the City. The Development Agreements each set forth the capital facilities required to be constructed as a condition of development. In addition, certain contributions which are required to be made by each Developer as a portion of the cost of certain public works affected by development are also a condition of development. These capital facilities and public work improvements include the Improvements described herein. A portion of the Improvements have been financed from the proceeds of the Prior Bonds and are complete, and a portion are to be paid from the Pay-As-You-Go Obligation. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology."

The Pay-As-You-Go Component. The annual Special Tax includes amounts needed to pay debt service on the Bonds as well as an amount designated as the "Pay-As-You-Go Obligation." The annual Pay-As-You-Go Obligation component of the Special Tax is levied to fund construction of particular improvements listed in the Special Tax Formula as the "Subsequent Improvements" which are improvements necessary for development in the District but which were not funded from proceeds of the Prior Bonds. The original amount of Special Tax attributable to this component of the Improvements was $16,149,354. Subsequent to the establishment of such amount, the anticipated cost has been reduced to $15,294,692 due to cost reductions and changes to the Subsequent Improvements, however the full amount authorized continues to be available and may be utilized. Of such amount, $2.17 million has been collected and expended on Improvements, $8.89 million has been collected and is being held by the City to be expended on Improvements, and the balance of $4.23 million remains to be collected from future Special Taxes. See "Description of the Improvements" below. See also "APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

There can be no assurance that all of the Improvements will be constructed for the costs contracted for or estimated or that the Improvements will be constructed in a timely manner to permit the completion of development currently planned for the District.

Description of the Improvements

The District was formed to fund both on- and off-site infrastructure facilities (the "Improvements") necessary for development of property in the District. These Improvements were principally as follows:

Completed Improvements Financed From Prior Bonds (Approximate Construction Cost: $49,200,000)

Highway 65-Harding Boulevard Interchange;
Portion of Harding Boulevard within CFD No. 1 boundaries;
Pleasant Grove Boulevard from Roseville Parkway to Washington Boulevard;
Roseville Parkway (full improvement from Harding Boulevard to Pleasant Grove Boulevard; 2 lanes from Pleasant Grove Boulevard to Washington Boulevard);
Diamond Oaks Boulevard;
Collector Roads identified as A, B, C (portion), and D;
Street E;
In-road sewer mains (except for improvements to be financed from Pay-As-You-Go);
Off-road and out-of-area sewer mains;
Lift Station No. 1 improvements and treatment plant connection;
In-road water mains (except for improvements to be financed from Pay-As-You-Go);
Off-road and out-of-area waterline improvements (except for improvements to be financed from Pay-As-You-Go);
Storm drainage detention facilities;
Elementary and intermediate schools;
Advance funding of a neighborhood park;
Roadway median and Highway 65-Harding Boulevard landscaping;
Bike paths South of Roseville Parkway;
Park improvements;
City inspection costs; and
Management-contract administration.

Completed Improvements Financed From Pay-As-You-Go Obligation (Construction Cost: $2.17 million)

Granite Payment
Consultant-Legal - Rate and Method
Roseville Parkway – Utilities-Trent
Stanford Ranch Road
Collector C – Waterline (portion)

Improvements to be Financed from moneys held by the City or to be collected from Pay-As-You-Go Obligation (Est. Cost: $13.12 million)

Gibson Drive - Street
Gibson Drive - Utilities
Gibson Drive – Waterline
Pleasant Grove North of Roseville Pkwy – Street
Pleasant Grove North of Roseville Pkwy – Utilities
Pleasant Grove North of Roseville Pkwy – Waterline
Roseville Parkway – Blue Oaks 36" Waterline (portion)
Roseville Parkway – widen from 2 to 4 lanes Washington Boulevard to Pleasant Grove Boulevard
Roseville Parkway – median landscaping – Washington Boulevard to Pleasant Grove Boulevard
Median landscape (ML) Design
ML Installation – Harding
ML Installation –Pleasant Grove (remaining)
ML Installation – Roseville Pkwy-Harding Boulevard to Pleasant Grove Boulevard (remaining)
Parcel 91-93 Fencing
Park Preserve-91 Sidewalks
Park Preserve-84 Sidewalks
Bike paths North of Roseville Parkway
Engineering - Stand Alone Phase II
Waterline North of Hwy. 65 (portion of costs)
Collector C – Street
Collector C – Utilities
Collector C – Waterline (portion)
Detention Basins 101-aka Parcel HRN 42 Detention Facility
Medians Pleasant Grove North of Roseville Pkwy
Roseville Pkwy – Waterline East of Harding
Roseville Pkwy – East of Harding
Roseville Pkwy – Median East of Harding
Parcel 93 – Sidewalks
Parcel 83 & 84 – Sidewalks
Parcel 82 & 86 – Sidewalks
Parcel 82 & 86 – Improvements
Bike Paths East of Harding
Enhanced Paving
Highway 65 Landscape
NCRSP Share of Fiddyment Substation
Dry Creek Reimbursement
Water System Reimbursement

All of the Improvements financed from proceeds of the Prior Bonds, representing a construction cost of approximately $49.2 million, have been completed. As of May 1999, the City is holding approximately $8.89 million from collections of the Pay-As-You-Go Obligation. Such amount will be applied to the construction of the items listed under the category "Improvements to be Financed From Moneys Held By the City From Pay-As-You-Go Obligation" above. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Formula." In Resolution No. 97-323 adopted by the City on November 19, 1997, the City determined that certain Subsequent Improvements, the Pleasant Grove Boulevard Improvements north of the Roseville Parkway (consisting of street, utility and waterline improvements, and the Gibson Drive Improvements (consisting of street, utility and waterline improvements) are important to the economic viability of the District and should be assigned higher funding priority than the other Subsequent Improvements listed in the Special Tax Formula. Accordingly, the City established those projects as priority projects which are to be funded with moneys received from the Pay-As-You-Go Obligation before the other Subsequent Improvements. The City anticipates that these Improvements will be completed prior to the scheduled September 2000 completion of the two new interchanges on Highway 65. The remaining Improvements are to be constructed from future levies of the Pay-As-You-Go Obligation and are anticipated by the City to be completed within 6-8 years.

THE DISTRICT

General

Pursuant to the Act, the City Council of the City on August 1, 1990 conducted a noticed public hearing and adopted the Resolution of Formation, which established the District, set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed $95 million.

On September 25, 1990 an election was held within the District in which the landowners eligible to vote unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. One hundred percent of the eligible votes were cast, and 100% of the votes cast were "yes." All of the land in the District was undeveloped at the time of the election. The 14 unrelated owners of property within the District at the time it was formed contemplated subdividing the property, primarily for residential and commercial use in accordance with the North Central Roseville Specific Plan (described below) adopted in July 1990, and selling parcels to merchant builders, or lots to homeowners and commercial developers or holding portions of their property for long-term investment purposes. See "Progress of Development Within the District" below.

The District is comprised of approximately 1,225 acres. When the District was formed, there were 52 legal parcels, with approximately 14 ownerships. For the 1998-99 fiscal year, approximately 1,284 County assessor parcels are on the tax roll, with approximately 681 parcels now improved with single family residences, and several commercial sites now improved, including Costco, Toys R Us, McDonalds, and various other retail commercial developments. In addition, certain parcels are currently under construction such as the regional mall, Galleria at Roseville, and a 79-acre portion of the office-retail Creekside project. See "Current and Anticipated Development Within the District" below.

Overview of Southwestern Placer County

The District is located in the southwestern portion of Placer County which, along with portions of adjacent Sacramento County, has experienced rapid growth in recent years. Southwestern Placer County comprises a portion of the northeasterly quadrant of the Sacramento metropolitan area and is generally located at the base of the Sierra Nevada foothills, within the area of influence of the Interstate 80 freeway corridor. For more than a decade, significant new growth and development have occurred along this primary transportation corridor, which extends locally from the central section of the city of Sacramento to the foothills of the Sierra Nevada range.

The incorporated portions of southwestern Placer County have historically served as bedroom communities of the metropolitan Sacramento area, and the 1990 census indicated that approximately 40% of the labor force left the county each day to drive to work. However, in recent years, significant new employment opportunities have been created in the cities of Roseville and Rocklin, contributing to the rapid rate of growth in the southwestern Placer County area. As a result, these cities have now become more balanced relative to jobs and housing and less economically dependent on employment opportunities and services provided in adjacent Sacramento County. In recent years Roseville has become a major business and residential center in the greater Sacramento area.

State Highway 65 is another of the region's primary transportation corridors, and it merges with Interstate 80 at an interchange system located near Roseville. From the interchange, the highway extends northerly through the cities of Roseville and Rocklin to the nearby City of Lincoln. Lincoln has been the focus of some new development in recent years, and substantial residential and commercial development is proposed for the City of Lincoln and nearby project areas in the future. Within the 3,000-acre Sunset

Industrial District of Lincoln and along State Highway 65 in the vicinity of Lincoln and Roseville, many major companies have developed plant facilities, including Formica Corporation, Reynolds Metals, Western Electric, Alcan Cable, Ace Hardware (distribution center), Herman Miller Furniture and Albertson's distribution center. The completion of State Highway 65 in the summer of 1987 created a bypass thoroughfare around "downtown" Roseville and has also greatly enhanced this industrial location by providing better accessibility and identity to the area and improved linkage among the cities of Roseville, Rocklin and Lincoln.

The population of Placer County was reported to be approximately 225,900 in January 1999, which represents an increase of approximately 26% over that reported in the 1990 census. By 2005, the County's population is projected to grow to approximately 286,100, an increase of 31% over the 1998 estimate. While Roseville and Rocklin have larger populations and have recently been the County's fastest growing cities, it is projected that Lincoln will surpass Rocklin as Placer County's fastest growing city, with the current population of approximately 8,250 increasing to around 15,000 by 2005.

Southwestern Placer County and the State Highway 65 corridor in particular have also emerged as a major high-technology development hub of the Sacramento region. In addition to various quality-of-life and housing issues, the seismic stability of the area and its location largely out of the floodplain prompted Hewlett-Packard to purchase and begin developing its ±487-acre campus in northwestern Roseville in 1978. Four years later, NEC Electronics began developing a memory chip plant nearby and now owns a ±154-acre campus. Expansion of both of these facilities has occurred over the years, and each company holds additional land in order to accommodate future growth. Today, these two firms collectively employ approximately 7,000. In northeastern Roseville, Minnesota Mining and Manufacturing Company purchased a ±130-acre research and development campus in 1989, and in Rocklin, Wells Fargo Bank purchased a ±113-acre site in the Stanford Ranch community in 1990 that has been proposed for the development of a data processing facility. While these latter campuses currently remain undeveloped, Oracle Corporation, the world's second-largest software company, purchased a ±35-acre site in Stanford Ranch in January 1997 for the development of a ±100,000 square-foot data processing facility, the first phase of which has opened and is projected to employ about 400 by the end of 1998. Oracle has also acquired an option to purchase an adjacent ±20 acres, with future phases expected to include research and development operations as well. On a smaller scale, numerous industrial-office properties have also been developed in the area that cater to the needs of the construction trades, private suppliers and the existing industrial and high technology companies. Development of a regional mall adjacent to Highway 65 in Roseville, to be known as Galleria at Roseville and which will include Nordstrom and other well-known retailers, is underway and projected for completion in 2000.

The Placer County Board of Supervisors recently demonstrated its determination to build a stronger economic base for the future by approving the Sunset Industrial Area Plan, which earmarks about 8,900 acres of land for industrial development. The proposed redevelopment plan will help provide roads, sewers, water and fire services to assist in attracting business to the unincorporated area adjacent to the cities of Roseville, Rocklin and Lincoln.

The City of Lincoln, located approximately 10 miles north of Roseville, has experienced substantial new development and job growth during the past four years. This growth is largely attributable to the City's proximity to several rapidly growing, high-tech firms and the development and transportation opportunities offered by Lincoln Air Center, an established industrial park located adjacent to the City's municipally-owned airport. The park became the local home of Zytec Services in 1994, now known as Artesyn Solutions, Inc., and began producing power supplies and repairing computers for Hewlett-Packard's nearby operations in Roseville. Since then, four similar firms have joined Artesyn in the Lincoln Air Center, including Express Point Technology, Comtek Computer Systems, ESL Technologies and Exel Logistics. Caliber Logistics, Inc., a contract warehouser and distribution firm for

Hewlett-Packard, has also chosen to locate in the park and is in the process of completing a 400,000 square-foot facility. Total employment at these five firms is approximately 3,000.

One of the more significant recently completed residential developments in southwestern Placer County is Del Webb's Sun City retirement community in Roseville. The project was completed in early 1999 and encompasses 1,200 acres along Roseville's western boundary, and includes approximately 3,500 housing units. Over one-third of the acreage is set aside for recreational and open space uses, including nine- and 18-hole golf courses. This development has helped to establish southwestern Placer County as a viable location for seniors-oriented communities, with the rate of sales and buildout far exceeding original expectations.

The success of Sun City Roseville has also prompted the Del Webb Corporation to select nearby Lincoln as the location of a similar project. Sales of homes began in February 1999, with marketing being directed throughout the western United States, and construction is underway within the ±5,300-lot seniors housing community. Sun City Lincoln is proposed to encompass approximately 2,370 acres, or 42% of the expanded ±5,700-acre Twelve Bridges project area, which will accommodate a total of approximately 10,000 lots when completed. With 5,300 homes projected, Sun City Lincoln is planned to be approximately 70% larger than Del Webb's project in Roseville. Del Webb has the initial 200 homes in the project in escrow with completion and close of escrow scheduled for July 1999.

In addition to the large number of planned communities and specific plan areas moving forward in the cities of Roseville, Rocklin and Lincoln and smaller, luxury home subdivisions in the Granite Bay area east of Roseville, the Dry Creek-West Placer Community Plan area east of Roseville in unincorporated Placer County now appears to be emerging as a new growth area in southwestern Placer County. This plan area encompasses approximately 9,200 acres and is bounded by Baseline Road on the north, Sutter County to the west, Sacramento County on the south, and the city of Roseville on the east.

Educational facilities from kindergarten through high school are provided to southwestern Placer County residents (including those in the District) by a variety of school districts. Advanced educational facilities include Sierra Junior College, located in the city of Rocklin, and numerous colleges and universities in the greater Sacramento area, which include three junior colleges, McGeorge School of Law, California State University at Sacramento, University of California at Davis, and UC Medical School in Sacramento.

Recreational facilities in southwestern Placer County include numerous neighborhood and regional parks. Most notable are Maidu Park in southeastern Roseville and Folsom Lake, which is located several miles east of Roseville in the Granite Bay community area of unincorporated Placer County. Folsom Lake is a major recreational resource area of the Sacramento metroplex.

In summary, southwestern Placer County has experienced a strong population growth trend in recent years and has outperformed the regional economy in general. Improved economic and market conditions, particularly in the area along the Interstate 80 corridor, suggest that urban development in and around Roseville, Rocklin and Lincoln will continue. The immediate area is regarded as a desirable residential location, with good proximity to major transportation corridors, growing employment centers, and an expanding base of supporting commercial services.

Location of the District

The District is located in the northern portion of the City and is generally situated between Washington Boulevard on the west, the Southern Pacific-Union Pacific Railroad track paralleling Interstate Highway 80 on the east, Diamond Oaks Boulevard on the south and State Highway 65 on the

north. Generally, the District encompasses 1,225 acres within the 1,715 acre North Central Roseville Specific Plan area. The District includes six acres south of Diamond Oaks Boulevard, (consisting of 20 units in the Country Estates development) and the existing commercial development known as "Stanford Ranch Crossing" north of the Highway 65 bypass. The District does not include several properties in the southeastern part of the North Central Roseville Specific Plan. The District is located 1½ miles north of downtown Roseville, and primary access is currently provided by a Highway 65 interchange at the east end of the District. Development plans provide for the construction of two additional Highway 65 interchanges which will directly serve property in the District and are planned to be open by the end of 2000. After construction of these two interchanges, at the yet to be constructed extension of Pleasant Grove Road in the central portion of the District and at Washington Boulevard and Blue Oaks Road at the north end of the District, regional access to the District will be directly from any of three highway interchanges. See "THE IMPROVEMENTS."

During the past 20 years, significant portions of the City and adjacent areas have experienced a transition from largely undeveloped, agriculturally oriented uses toward a mixture of urban land uses, and this transition has particularly intensified during the past 10 years. Property in the District includes and is partially bordering recently constructed and new single-family residential developments, located both in the District and in the Northwest Roseville Specific Plan area, which lies west of the District.

The North Central Roseville Specific Plan

Most of the land within the District is located within the City's North Central Roseville Specific Plan Area (the "North Central Roseville Specific Plan Area"). In November, 1985 the Roseville City Council by resolution amended the land use elements of the City's General Plan. This provided for the development of Specific Plans for four areas of the City, thereafter called the Northeast, Southeast, North Central, and Northwest Plan areas. Tentative land use allocations were made, and the General Plan was adopted contingent upon the presentation and approval of Specific Plans and Development Agreements for the affected properties. On June 30, 1990, the City Council approved the North Central Roseville Specific Plan (the "Specific Plan") which provides for land uses of an area of approximately 2,330 acres (the "Original Plan Area"). In 1997, a portion of the Original Plan Area was established as a separate plan area. As currently configured, approximately 1,715 acres of the Original Plan Area is planned for development (including related public-quasi public land uses) as the North Central Roseville Specific Plan Area, and 615 acres are planned for development as the Highland Reserve North Specific Plan Area (discussed below). The District, consisting of approximately 1,225 acres, is wholly within the North Central Roseville Specific Plan Area. Certain parcels in the southeastern part of the North Central Roseville Specific Plan Area are not in the District. The North Central Roseville Specific Plan Area is generally situated between Interstate 80 and Washington Boulevard, north of the Diamond Oaks Golf Course. The planned physical development of the 1,715-acre North Central Roseville Specific Plan Area is outlined in the City's General Plan 2010 adopted November 18, 1992.

The Highland Reserve North Specific Plan Area, which lies north of Highway 65 and is adjacent to the District, and which had been designated as urban and commercial reserve as part of the Original Plan Area, is currently anticipated to commence development simultaneously with development of portions of the District. The City expects development in that area to begin in late 1999 pursuant to the specific plan, which allows 1,770 residential units and 165 acres of commercial uses. See "Maps" below.

The North Central Roseville Specific Plan envisions a mix of residential and commercial-industrial development as well as a large complement of public use lands including parks and park reserves, open space, wetlands, watersheds and schools, which is consistent with land use policies as prescribed in the City's General Plan. The North Central Roseville Specific Plan provides for urbanization of a large part but not all of the area.

The North Central Roseville Specific Plan requires, among other things, that extensive public infrastructure facilities needed to serve the North Central Roseville Plan Area be installed and financed by the property within the North Central Roseville Specific Plan Area or portions thereof. The Development Agreements described below were designed to ensure that the public infrastructure facilities necessary to serve the District pursuant to the North Central Roseville Specific Plan are satisfactorily financed by the District. Most of the infrastructure improvements required for development within the District are in place or have a source of funds available for construction costs. See "THE IMPROVEMENTS" below.

The projected population at total build out of the North Central Roseville Specific Plan Area is 9,181. The North Central Roseville Specific Plan Area contains a significant residential component, open space and the regional mall site which is currently under development as the "Galleria at Roseville", located adjacent to Highway 65 at the District's current major freeway access to Interstate 80.

The following table outlines the specific plan land uses within the North Central Roseville Specific Plan Area. Approximately 1,225 of the 1,715 acres shown in the table are in the District. A table showing the land uses for developed property and planned land uses for undeveloped property in the District is shown under the caption "Current and Anticipated Development Within the District" below.

City of Roseville
North Central Roseville Specific Plan
Land Uses

Land Use Category	Gross Acres	Percent of Total Gross Acres
Open Space-Recreation	83.60	4.9%
Park	71.52	4.2
Park-Preserve	48.53	2.8
Wetlands Preserve	5.60	0.3
Lower Watershed	116.83	6.8
SUB-TOTAL PUBLIC	326.08	19.0%
RESIDENTIAL	601.1	35.0
Commercial	85.69	0.5
Regional Commercial	200.19	11.0
Business Professional-Commercial	105.36	6.1
Business Professional	113.16	6.6
Light Industrial-Industrial	115.51	6.7
Day Care Center	1.09	0.1
SUB-TOTAL COMMERCIAL	621.0	36%
School	34.42	2.0
Fire Station	2.28	0.1
Electrical Substation	1.17	0.1
Public-Quasi Public	2.28	0.1
Corporation yard	1.46	0.1
Right of Way	94.12	5.5
PG&E	31.54	1.8
PUBLIC-QUASI PUBLIC SUB-TOTAL	167.3	9.7%
TOTAL	1,715.45	100.0%

Source: The City.

Seismic Conditions. According to the State of California Seismic Safety Commission, Placer County is located in Zone 3. Zone 3 is a medium risk area common to the Sacramento area. The State of California falls into Zones 3 and 4. Zone 4 is a high risk area which is located along the western edge of the state and includes the San Francisco Bay Area.

There are no Alquist-Priolo Special Studies Zones in Sacramento, as defined in Special Publication 42 issued by the California Department of Conservation, Division of Mines and Geology. No active faults are located under or near the District; however, strong earthquakes generated along any of the active California faults may affect the property in the District, depending on the magnitude of the quake and the location of the epicenter. In general, the effects are confined to shaking and-or acceleration (shock waves) and can be minimized by adequate design and construction procedures.

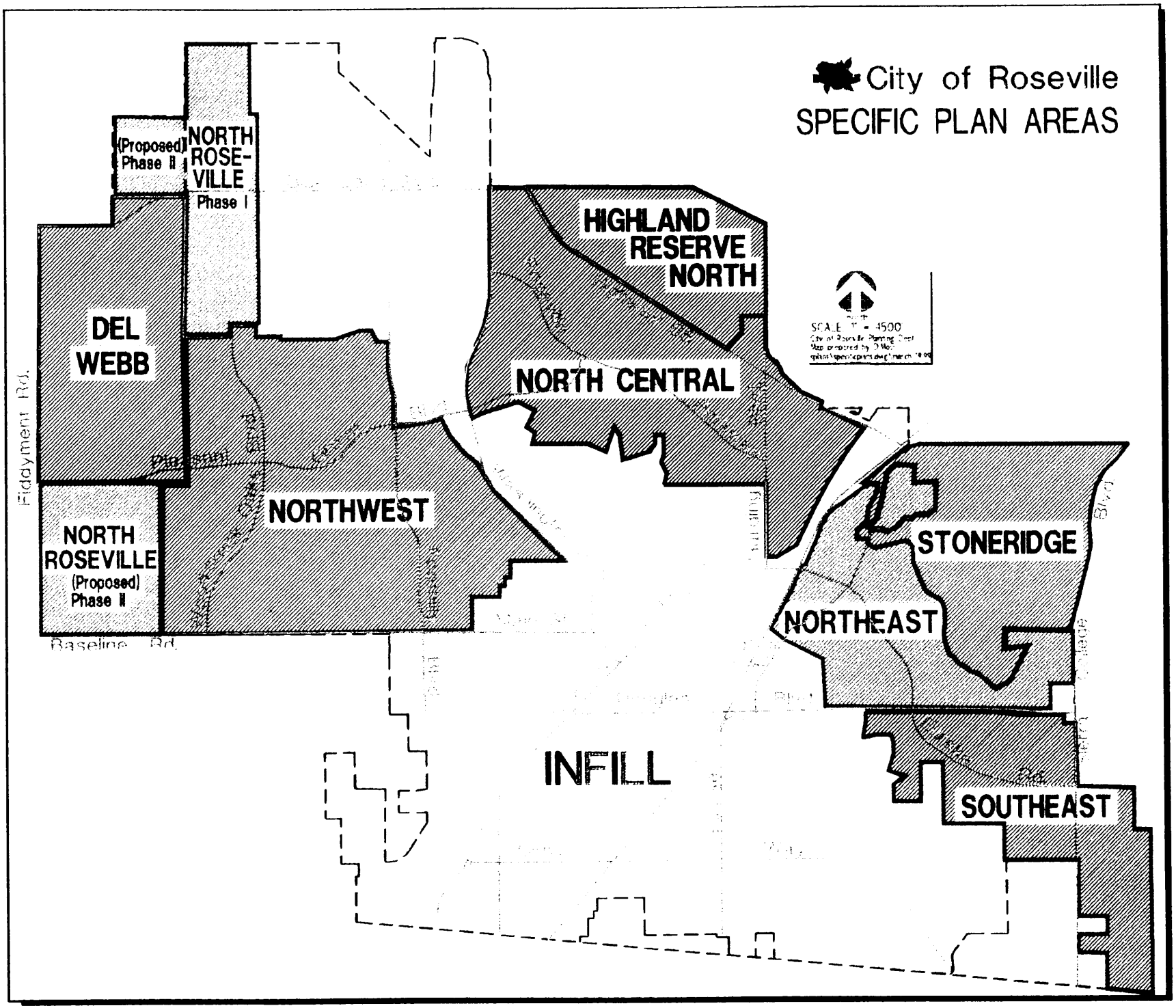
Flood Zone Designation. The Federal Emergency Management Agency ("FEMA") has designated the property within the District as a flood zone designation of "X" (unshaded) which defines areas determined to be outside a 500-year flood plain (Community Panel No. 0602243 0008D Map Revised September 28, 1990).

Utilities. Public utilities currently serving developed property and available to serve undeveloped property within the District are as shown below:

Electricity:	City of Roseville Electrical Utility Department
Natural Gas:	Pacific Gas & Electric Company
Telephone Service:	Roseville Telephone
Water:	Placer County Water Agency
Wastewater:	City of Roseville

Maps

The following page is a diagram which shows the various specific plan areas within the City. A diagram showing the parcels in the District, including the parcel numbers assigned in the North Central Roseville Specific Plan to each anticipated parcel and the District boundary map is also included. The parcelization shown may not accurately represent the current configuration of legal parcels in the District due to subdivision of parcels.


City of Roseville
SPECIFIC PLAN AREAS
(Proposed) Phase II
NORTH ROSE-VILLE
Phase I
DEL WEBB
HIGHLAND RESERVE NORTH
NORTH CENTRAL
NORTHWEST
NORTH ROSEVILLE
(Proposed) Phase II
STONERIDGE
NORTHEAST
INFILL
SOUTHEAST
Fiddyment Rd.
Baseline Rd.

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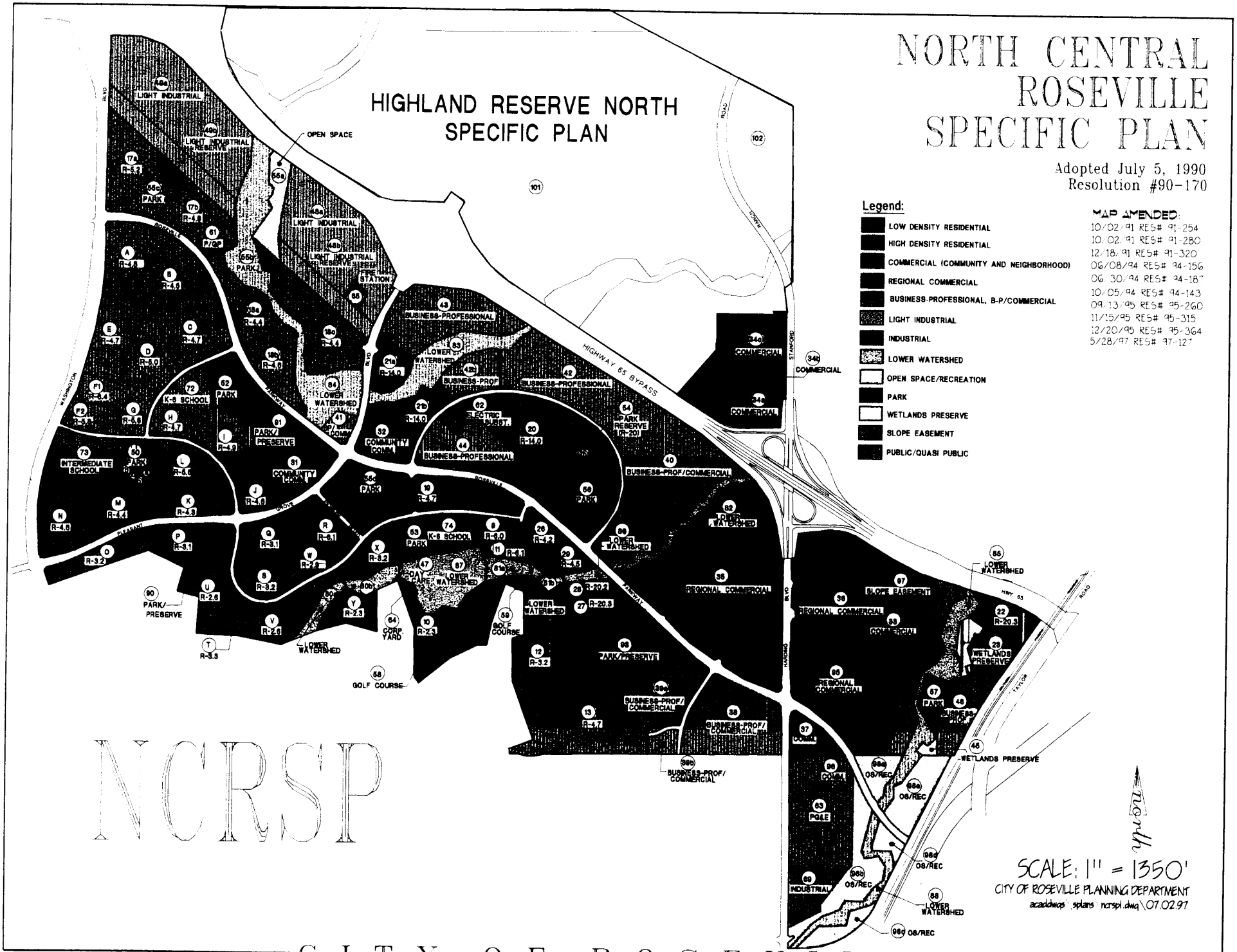
NORTH CENTRAL ROSEVILLE SPECIFIC PLAN

Adopted July 5, 1990
Resolution #90-170



CITY OF ROSEVILLE

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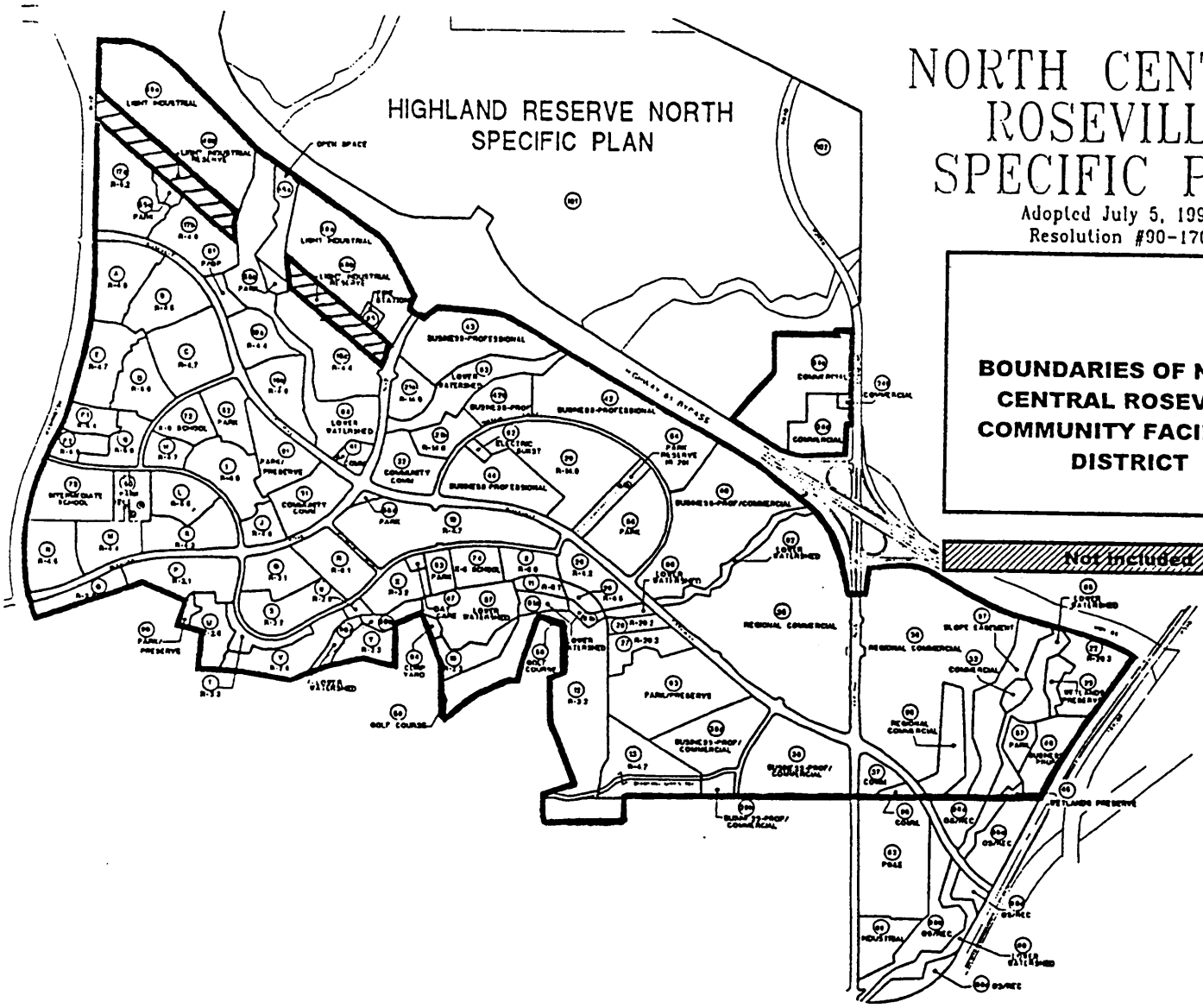
NORTH CENTRAL ROSEVILLE SPECIFIC PLAN

Adopted July 5, 1990
Resolution #90-170



Progress of Development Within the District

At the time the Prior Bonds were issued the District consisted of 52 parcels. After issuance of the Prior Bonds, development of property in the District progressed more slowly than anticipated by the City and the developers, due to the economy within the area and the State as well as ownership issues with respect to or has construction underway on the property a significant portion of the property approved within the District as described in the following paragraphs. The initial public improvements within the District were completed by 1992. Currently, approximately 28% of the developable land within the District has been improved or has construction underway on the parcels. This land includes 73.7 acres of single family residential property (450 dwellings), 29.7 acres of multifamily residential property (572 approved dwelling units of which 336 are under construction), 41.5 acres of improved commercial property, a 94.2-acre regional mall site under construction (comprising approximately 8.3% of the developable land in the District) and another 78.9 acres approved for office development under construction (comprising approximately 6.9% of the developable land in the District). For the balance of the District, 373 acres represent single family residential projects (33% of the developable land in the District) – most of which has received entitlements and has been subdivided. Within the 373 single family residential acres under development: (i) 231 dwellings (approximately 50 acres) have been constructed and received certificates of occupancy (which along with the 450 completed homes represents 681 completed units or 157.2 acres), (ii) 238 units (approximately 50 acres) have commenced construction, (iii) 1,335 lots have been subdivided and are vacant, and (iv) the balance of the single family acres remain unapproved and undeveloped (27 units). The balance of the residential parcels represents approximately 61 acres (1,030 dwelling units) of undeveloped multifamily property (5.4% of the developable land in the District). The remaining non-residential developable land in the District represents 380.5 acres (33.6% of the developable land in the District) and is zoned for commercial uses. It is currently undeveloped. See "Current and Anticipated Development Within the District" below.

The Balcor Ownership

In December 1992, certain partners within Roseville Properties Investment Partners, Ltd. ("RPIP"), a then-owner of approximately 545 acres of property within the District planned for commercial use and approximately 90 acres of property planned for residential use, as well all of the Highland Reserve North Specific Plan Area, were engaged in a dispute concerning investment in the property. In resolving the dispute, a then-limited partner, Balcor Management Services, a subsidiary of American Express, became general partner of RPIP. Balcor did not desire to develop the property and attempted to market it, but initially had limited success. All of the RPIP property in the District and the approximate 615 acres in the Highland Reserve North Specific Plan Area adjacent to and north of the District was later sold to Richland Irvine, Inc., an entity which currently continues to own it. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. As a consequence of the dispute, the Special Tax on the property owned by RPIP was unpaid during fiscal years 1992-93 and 1996-97. Accordingly, the Reserve Fund established for the Prior Bonds was used to pay the amounts due for Prior Bonds in November 1993 and May 1997 and was substantially restored. Upon Balcor taking over RPIP in 1994, the initial delinquency in the Special Taxes were brought current and the Reserve Fund was restored. RPIP no longer owns any property in the District, having sold the final parcels it owned to Richland Irvine in December 1997, whereupon the use of the Reserve Fund as a result of the 1996-97 delinquency was replenished. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT - Special Tax Delinquencies" below.

Initial and Ongoing Development Within Portions of the District

Residential Development. Development within the District is planned development under the North Central Roseville Specific Plan. Since the North Central Roseville Specific Plan's adoption in mid 1990, 919 single family residential dwelling units are complete or are under construction (450 are occupied by homeowners, 231 have been issued certificates of occupancy and 238 have commenced construction). This equates to 102 units per year, and reflects the slow pace of residential development the District initially experienced. In addition, 572 multifamily dwelling units are approved for development, of which 336 are under construction. The total residential dwelling units allowed in the District are 3,786 (single family and multifamily). The slow pace of residential development was particularly evident in the early 1990's and was largely due to the economic recession experienced within the State. Beginning in 1997 the pace of home construction and sales has improved.

The following table shows the number of building permits issued for single and multifamily development for the City and the District since the formation of the District through 1998.

	Single Family Permits		Multi-Family Permits	
Year	Citywide Single Family Building Permits	District Single Family Building Permits	Citywide Multi-family Building Permits	District Multi-family Building Permits-Approval
1991	408	0	824	0
1992	582	0	0	0
1993	763	6	0	0
1994	1,345	63	56	0
1995	1,405	78	0	0
1996	1,601	150	109	0
1997	1,686	164	356	0
1998	2,023	461	440	572(1)
Totals	9,813	919	1,785	572

Source: The City.
(1) Represents one permit for a 336-unit development and an approval for a 236-unit development.

Residential Land Use in the District
(through December 31, 1998)

Residential Units	Approved	Vacant Lots	Under Construction	Developed
Single Family	2,254	1,335	238	681
Multi Family	572	0	336	0
	2,826	1,335	574	681

Source: The City.

Commercial Development. Commercial development did not exist in the District until completion of the now fully developed "Stanford Ranch Crossing" area (41.5 acres) within the District north of Highway 65, which was completed in 1997 and is occupied by various retail users, including

Costco, Cost Plus, Staples and Toys "R" Us. The land south of Highway 65 planned for commercial use has been slow to develop. Significant development is underway in the form of construction of the Galleria at Roseville, an over 1 million square foot regional mall which commenced construction on approximately 94.2 acres in January 1999. Commencement of the mall and announcements that preceded construction have greatly increased interest in adjacent commercial projects, residential development and in other types of development in and near the District. In addition, construction is underway on major portions of a 78.9 acre component of mixed-use, office-retail development known as Creekside. Another 79 acres have also been approved for commercial development, but construction has not yet commenced. See "Current and Anticipated Development Within the District" below.

The status of commercial land development in the District is set forth below.

North Central Roseville Community Facilities District
Commercial Land Uses
(through December 31, 1998)

Specific Plan [1]	Approved Acres	Under Construction Acres	Completed Acres
Neighborhood Commercial	43	--	41.5
Regional Commercial	252 [1]	173	--
Business Professional-Industrial	--	--	--
	295	173	41.5

Source: The City.

(1) Includes both the 94.2 acre regional mall site and the 78.9 acre Creekside project site which are now under construction, and other projects (79 acres) which are approved but not currently under construction.

Cancellation of Escrow for Prior Bonds

At the time the Prior Bonds were issued, approximately $26 million of the proceeds were placed in an escrow fund. These proceeds were to have been used for construction of improvements within the District, provided certain conditions were met. Due to the slow pace of development, non-payment of the Special Tax by RPIP, a then major property owner, and the likelihood that the value to lien ratios needed to release monies from the escrow account would not be realized in a timely manner, the escrow was released in June 1993 and a corresponding portion of the Prior Bonds were redeemed. In connection with the release, the original Special Tax Formula was amended, with the consent of the property owners, to include the Pay-As-You-Go Obligation so that Improvements originally planned to be financed with the escrow component of the proceeds of the Prior Bonds could continue to be funded through the Special Tax. See "THE REFUNDING PLAN," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Special Tax Methodology" and "The Balcor Ownership" above.

Current and Anticipated Development Within the District

The Developers have provided a substantial portion of the following information with respect to development within the District. No assurance can be given that all information is complete. Although the Developers currently own most of the property within the District, as land development progresses, any Developer may sell portions of its property to various builders or private individuals and certain of the Developers intend to do so. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, however development by any subsequent owner will be subject to the policies and requirements of the City. No assurance can be given that any of the possible sales detailed below will

actually occur and no assurance can be given that an owner of any parcel in the District will be the developer of its property in the District or will develop its property in accordance with the North Central Roseville Specific Plan.

Development within the District is anticipated by the City and by the owners of property in the District to be generally consistent with the North Central Roseville Specific Plan land uses, which primarily consist of residential neighborhoods of single and multifamily housing and supporting uses such as schools, parks, recreation, open space, together with commercial retail, including the regional mall described below and office-light industrial commercial land uses nearer to Highway 65. The City and the Developers expect that some office-light industrial land use designations shown in the North Central Roseville Specific Plan may be changed to commercial at the request of the Developers.

Approximately 28% of the developable land in the District (318 acres) is improved or has construction underway on the parcels. The improved parcels, or parcels approved or under construction, include 73.73 acres comprising 450 single family residential dwellings sold to homeowners, 29.7 acres of multifamily units approved, in part, and under construction, 41.5 acres of completed commercial development and 173.10 acres of approved commercial development under construction (the 94-acre mall site and 79-acre commercial office development). In addition 373 residential acres under development represent 231 single family dwelling units (approximately 50 acres) which have received certificates of occupancy, 238 single family dwelling units (approximately 50 acres) which are under construction, 1,335 single family dwelling units which have been approved but the lots are undeveloped and 27 single family dwelling units which remain unapproved and undeveloped. From the balance of the 380.5 commercial acres (33.6% of the developable land) 79 acres have received planning approvals, with the remaining acres vacant. In addition, 61.4 multifamily residential acres (5.4% of the developable land) has not yet received development approvals and remains vacant.

The table below summarizes the current and planned land uses in the District.

Land Uses – The District

Land Use	Acres	Dwelling Units
Residential		
Single family – improved	73.73	450
Single family – unimproved [1]	373.29	1,831
Subtotal:	447.02	2,281
Multi family – improved [2]	29.70	572
Multi family – unimproved	61.40	933
Subtotal:	91.10	1,505
TOTAL RESIDENTIAL:	538.12	3,786
Commercial		
Commercial – improved	41.50	n-a
Commercial – unimproved (immediate dev)	173.10	n-a
Commercial-Industrial – future dev.[3]	380.50	n-a
Subtotal:	595.10	n-a
Public-Quasi Public	91.78	n-a
TOTAL	1,225.11	

Source: The Appraisal and City.

(1) Of such amount 231 dwellings (approximately 50 acres) have been given certificates of occupancy, which along with the 450 completed homes represent 681 completed residential units; and 238 dwelling units (approximately 50 acres) are under construction.

(2) Includes units approved and under construction.

(3) Of such amount 79 acres have received planning approvals, but are not under construction.

Significant development of the land south of Highway 65 planned for commercial use is underway in the form of construction of the Galleria at Roseville regional mall (the "Regional Mall") and the 134 acre office-retail Creekside Ridge project described below. Commencement of the mall, the Creekside Ridge project and announcements that preceded construction have greatly increased interest in adjacent commercial projects and in other types of development in and near the District.

Anticipated commercial development within the District includes the following projects. For information on the owners of certain of the developments, see "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. References to parcel numbers refer to the parcels numbers shown in the North Central Roseville Specific Plan and such parcels may not have yet been legally established. See "Maps" above. A significant portion of the Property in the District is undeveloped and not described as one or more of the following projects. The owner of the largest amount of undeveloped land is Richland, Irvine, Inc. See "OWNERSHIP OF PROPERTY WITHIN "THE DISTRICT – Richland Irvine, Inc." and "APPRAISAL OF PROPERTY WITHIN THE DISTRICT" below.

Parcel 35 - Galleria at Roseville (Regional Mall). This 94.18 acre site located at the northwest corner of Harding Boulevard and Roseville Parkway is currently being developed as a two level mall with a total gross leaseable area of 1,120,000 square feet. It is anticipated to have four major anchors, a cinema and an outdoor plaza. Anchors include Macy's, Nordstrom, Penney's and Sears. This project is the first regional mall development in the last 25 years in the Sacramento area. Grading on the project began in August 1998 with completion slated for September 2000. Underground utilities have been

completed. The site is owned by Urban Roseville LLC. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT – Urban Roseville LLC" below.

Parcels 33, 36, 37, 95, 96 and 97 - Creekside Ridge.

The Creekside Ridge project, a 134 acre project, is located at the northeast corner of the Harding Boulevard-Roseville Parkway Intersection, across Harding Boulevard from the Regional Mall site. The Creekside Ridge project is being developed as a mixed use project, which includes approximately 523,600 square feet of office space, 694,100 square feet of retail commercial space and an approximately 154,000 square foot, 278-room hotel development. The site is within the North Central Roseville Specific Plan Area and comprises Parcels 33, 36, 37, 95, 96 and 97.

The parcels consisting of the Creekside Ridge project were purchased by Evergreen Creekside, LLC, a California limited liability company, in February of 1998 from Alleghany Properties, Inc. The Creekside Ridge project is being developed by Evergreen Britannia, a joint venture partnership, and an affiliate of Evergreen Creekside, LLC. See "OWNERSHIP OF PROPERTY WITHIN DISTRICT – Evergreen Britannia" below.

The City's Planning Department has provided Major Project Permit (MPP) approvals for the Creekside Ridge project, which include "Stage One" approval for the construction of 801,398 square feet of retail space, 435,200 square feet of office space, and 154,500 square feet (278 rooms) of hotel space, and "Stage Two" approval for the construction of two, approximately 100,000 square foot office buildings and the North Retail Center, as discussed below. In addition to the proposed office, retail and hotel buildings, the development of the Creekside Ridge project will include the construction of the necessary infrastructure improvements (water, sewer, drainage, telephone, cable, gas and electric) as well as project specific road improvements to Harding Boulevard, Roseville Parkway, Antelope Creek Drive, and Creekside Ridge Drive.

The following is a summary of the three proposed land uses within the Creekside Ridge project. For purposes of reference herein the three components of the mixed use project will be referred to as the Retail Component, Office Space Component and the Hotel Component. A portion of the Office Space Component is currently under construction on approximately 79-acre site, as described below.

The Retail Component

The largest component of the Creekside Ridge project is the Retail Component which totals approximately 801,398 square feet of commercial retail space located on approximately 70 net acres of land. The Retail Component comprises approximately 62% of the Creekside Ridge project, based upon total acreage to be developed. This total square footage is further divided into two separate distinguishable retail projects, the North Retail Center and the South Retail Center. Because Antelope Creek Drive is situated between the two retail components, the appearance of two distinct retail centers is created. Therefore, the discussion below for the Retail Component will describe the north and south centers separately.

North Retail Center. The North Retail Center consists of approximately 420,398 square feet of retail building square footage located on approximately 41 net acres, comprising 36% of the Creekside Ridge project, based upon total acreage to be developed. Upon completion, the North Retail Center will have 12 separate commercial retail spaces situated in a plaza-like setting, 2,255 parking spaces and landscaping. The pad configuration and L-shaped design of the North Retail Center will accommodate a range of tenants, including major and in-line tenants, tenants with drive-through services, gasoline service

station use and other single tenant uses. Access to the North Retail Center will be from Antelope Creek Drive (an east-west thoroughfare) and Harding Drive (a north-south thoroughfare).

The North Retail Center has received Stage Two approvals from the City's Planning Department. Construction of the North Retail Center is scheduled to commence August 1999. Evergreen Britannia estimates the date for the completion of construction and occupancy of the retail spaces to be May 2000. Evergreen Britannia is currently in negotiations with potential tenants for the North Retail Center spaces, although no final leases have been signed.

South Retail Center. The South Retail Center consists of approximately 280,100 square feet of retail building square footage located on approximately 29 net acres, comprising 26% of the Creekside Ridge project, based upon total acreage to be developed. Upon completion, the South Retail Center will have 11 separate commercial retail spaces situated in a plaza-like setting, 1,425 parking spaces and landscaping. Due to the size configuration of the parcel, the South Retail Center has been designed with the major tenants in a north-south manner, as opposed to an L-shaped design. The pad configuration of the South Retail Center will accommodate major tenants, tenants with drive-through services, gasoline service station use and other single tenant uses. Access to the South Retail center will also be from Antelope Creek Drive (an east-west thoroughfare) and Harding Drive (a north-south thoroughfare).

The South Retail Center has submitted an MPP application with the City's Planning Department for Stage Two approval. Construction of the South Retail Center is scheduled to follow the completion of the North Retail Center, estimated to commence August 2000. Evergreen Britannia estimates the date for the completion of construction and occupancy of the retail spaces to be May 2001.

Evergreen Britannia has entered into a joint venture agreement with Donahue Schriber, a Newport Beach, California based shopping center developer, for the joint development of the Retail Component. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT - Evergreen Britannia" herein for information relating to Donahue Schriber.

The Office Component

The second largest component of the Creekside Ridge project is the Office Component. The Office Component will consist of seven (7) office buildings built to specification for approximately 435,201 square feet of office space located on approximately 27 net acres of land. The Office Component comprises approximately 24% of the Creekside Ridge project, based upon total acreage to be developed. Similar to the Retail Component, the presence of Antelope Creek Drive between the office buildings effectively creates two distinct office projects. The portion of the Office Component north of Antelope Creek Drive will consist of two office buildings clustered close together to create a campus style office complex, with a third building located further to the east on an isolated parcel. Access to the two office clustered buildings is from Antelope Creek Drive and Creekside Ridge Court, and access to the third building is from Antelope Creek Drive. The portion of the Office Component south of Antelope Creek Drive will consist of four office buildings that are relatively clustered together in a north-south orientation to create a campus-style office complex. Access to the southern portion of the Office Component will be from Creekside Ridge Court and Antelope Creek Drive.

Construction commenced on certain buildings located in the southern portion of the Office Component in early 1999. Stage Two approvals have been issued by the City's Planning Department for two approximately 100,000 square foot office buildings. The first office building is scheduled for completion in October 1999. Evergreen Britannia anticipates developing approximately 100,000 square feet of office space per year.

The Hotel Component

The last component of the project is the Hotel Component. The Hotel Component is planned to be comprised of two (2) hotel buildings for a total of 279 rooms and 154,500 square feet of building space, located on approximately 16 net acres of land. The Hotel Component comprises approximately 14% of the Creekside Ridge project, based upon total acreage to be developed. At this time, the final design for the Hotel Component is not finalized. However, for purposes of City review, the owner utilized building footprints from previously approved hotel projects within the City to demonstrate that the site could accommodate the anticipated development.

Roadways and Public Uses

The remaining acreage in the Creekside Ridge project consists of roadway and related public uses. The project is serviced by two main public roads, Antelope Creek Drive, an east-west road, and Creekside Ridge Drive, a north-south thoroughfare. Antelope Creek Drive was recently completed and construction on the Creekside Ridge Road is scheduled to commence in the summer of 1999. The accompanying water, sewer and storm drain, and electrical infrastructure improvements related to Antelope Creek Drive and Creekside Ridge Drive will be constructed simultaneously with the road projects. The private infrastructure improvements for the lots within the Creekside Ridge project will be completed simultaneously with the scheduled development of the retail, office and hotel buildings.

Upon completion of the Creekside Ridge project, there will be approximately 5,652 parking spaces providing parking for the project, 3,685 of which are located within the Retail Component, 1,693 in the Office Component and 328 spaces in the Hotel Component. The number of parking spaces provided for each component exceeds the required number of spaces under the applicable parking standards of the City's Zoning Ordinance.

The existing topography and natural resources on the Creekside Ridge property are diverse. The topography of the Retail Component is relatively flat and was until recently primarily vegetated with annual grasses, with a slight sloping elevation range of 215 to 245 feet above sea level. The majority of the land comprising the Office Component and the Hotel Component is relatively flat, with an average grade change of ten (10) feet, and vegetated with annual grasses. Certain sections of the land within Office Component and Hotel Component are sloping and contain dense clusters of oak trees.

Parcels 38, 39A and 39B - The Fountains. Peter P. Bollinger Investment Co., and Inter Cal Development (an affiliate) are developing a 304,000 square foot retail building at the southeast corner of Harding Boulevard and Roseville Parkway. The first phase of the proposal has 86,000 square feet of retail space and 22,000 square feet of restaurant space. The application for entitlements is currently under review by the City.

Parcel 20A-B. This multifamily 41.9 acre site is owned by Richland Irvine, Inc. and in escrow for sale to FF Realty Company. The 17.75 dwelling units per acre density limit will accommodate a 600 unit project. Closing of the escrow is anticipated for the end of May 1999.

Parcel 21B. This multifamily 8.66 acre site will accommodate 149 units. The current owner, Richland Irvine, Inc., indicates that negotiations for sale of the property are in process.

Parcel 42B. This 15 acre multifamily parcel will accommodate 300 units. The current owner, Richland Irvine, Inc., indicates that negotiations for sale of the property are in process.

Parcel 17B. Winncrest Homes purchased this 22.06 acre single family property in December of 1996. The property was zoned light industrial when the buyer entered into the contract, but the property was rezoned for 104 single family residential lots. Construction is underway and homes have been sold.

Parcel 18A-18B. – DR Horton purchased this 22.76-acre single family property. The average lot size is 5,000 square feet. The properties are currently zoned for 101 residential units.

Parcel 19. - Cresleigh Homes Corporation purchased this 35 acre parcel in 1996. The property was in escrow for about two years prior to closing due to a required rezoning for single family use. The property currently is zoned for 165 single-family residential units, which is a change from the multi-family and commercial land use designations approved in the original North Central Roseville Specific Plan.

Parcels 26 and 29. Kaji Surjit purchased this 13.29 acre property in December 1996 from Roseville Properties Investment Partners, LTD. The properties are currently zoned for 56 residential units.

Anticipated Development in Highland Reserve North

The Highland Reserve North Specific Plan Area on the north side of Highway 65 and not in the District consists of 304 acres designated for residential development and 169 acres designated for non-residential uses. This area is planned for uses similar to those planned for and existing in the District, subject to the Highland Reserve North Specific Plan established in May of 1997. All of the property in the Highland Reserve North Specific Plan Area is owned by entities affiliated with Richland Irvine, Inc., the largest landowner in the District. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Richland Irvine Inc., the owner of the Highland Reserve North Specific Plan Area property, does not develop structural improvements and anticipates subdividing and selling parcels with infrastructure improvements in place to various developers and users. The anticipated completion of two Highway 65 interchanges by the end of 2000 will enhance the appeal of both the District property south of the highway and the Highland Reserve North Specific Plan Area property north of the highway. The City, at the time of establishment of the Original Specific Plan Area which included both areas, anticipated that the northern area would develop subsequent to development of the south area. Due to the slower than anticipated pace of development in the District, development of the two areas is likely to overlap and land offerings in both areas may be competitive. The north area currently does not have infrastructure development in place and the south area does. Richland Irvine, Inc. anticipates infrastructure development in the north area to begin in the fall of 1999 and expects further development in that area to begin in late 1999 with retail commercial development in the area adjacent to the Costco development at Stanford Ranch Crossing in the District. Development and desirability of the Highland Reserve North Specific Plan Area is expected to significantly benefit from the construction of the Regional Mall in the District.

Development Agreements and Development Rights

Prior to issuance of the Prior Bonds, the City entered into Development Agreements (collectively, the "Development Agreements") with eight of the nine property owners who at the time owned substantially all of the property within the District. Pursuant to the terms of the Development Agreements, transferees of parcels subject to the Development Agreements are also subject to the terms of the Development Agreement applicable to their property.

The Development Agreements allow for the development of property within the District in accordance with the North Central Roseville Specific Plan, provided that the extensive public infrastructure facilities needed to serve the North Central Roseville Specific Plan Area are installed and financed by the property within the North Central Roseville Specific Plan Area or portions thereof. The Development Agreements set forth the permitted uses of each parcel, including the density and intensity of use, the maximum height and size of proposed buildings, provisions for the reservation or dedication of land for public purposes, and other conditions for development, and bind the City to such permitted uses as provided in the Development Agreements.

The Development Agreements provide that so long as the owner is not in default under its Development Agreement, the City will not refrain from approving subdivision or parcel maps nor will it cease to issue building permits; provided that, for certain parcels, specified parcel-specific public improvements must have been completed or security must be posted to ensure completion prior to issuance of a building permit. These improvements are included in the Improvements and to be financed with the Pay-As-You-Go Obligation and are improvements which the City desires to have completed prior to development.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no enforceable commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment from the owners of property within the District of any Special Tax or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

The Developers have provided the information set forth under the heading "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. No assurance can be given that all information is complete. Although the Developers currently own most of the property within the District, as land development progresses, any Developer may sell portions of its property to various builders or private individuals and certain of the Developers intend to do so. When such sales occur, the ownership of the land within the District will become more diversified. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined in "THE DISTRICT" above may not be continued by the subsequent owner if the parcels are sold, however development by any subsequent owner will be subject to the policies and requirements of the City. The Special Taxes are not personal obligations of the Developers or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

Ten Largest Owners

The ten owners having the largest amount of the lien of the Special Tax of the District are shown in the table below.

City of Roseville
North Central Roseville CFD No. 1
Top Ten Owners

No.	Owner	Project(s)	Parcels	Acres	Lien[1]	Percent of Lien[1]
1	Richland Irvine	various	12	291	$14,665,000	25.0%[2]
2	Evergreen	Creekside	7	134	6,511,260	11.1
3	Urban Roseville	Galleria	1	94	5,807,340	9.9
4	Bollinger	Fountains	5	69	3,636,920	6.2
5	Chiurlia	MF-Comm.	2	37	2,053,100	3.5
6	Warmington	SFR	6	56	2,053,100	3.5
7	Cresleigh	SFR	90	28	1,701,140	2.9
8	SMC Development	SFR	24	31	1,642,480	2.8
9	Hill Country	SFR	4	40	1,583,820	2.7
10	Lennar Rennaisance	SFR	143	19	1,525,160	2.6

(1) Based on the maximum Special Tax per parcel as set forth in the Special Tax Formula, divided by the aggregate maximum Special Tax on all parcels, and multiplied by the amount of Bonds.

(2) Completion of the sale of two parcels currently in escrow for sale to FF Realty Company, as described below under the caption "Richland Irvine" below would reduce this ownership concentration to 20.7%.

Source: 1998-99 County tax roll.

Special Tax Delinquencies

The City reports that as of May 1999 there were delinquent assessment installments from all levies prior to 1998-99 on 2 parcels located within the District (out of a total of 1,284 parcels). These delinquencies totaled $1,046.06. The 1998-99 delinquency rate is currently approximately 1.25%, however the City often observes that a significant amount of late payments are received with several months after the April 10 and December 10 due dates. The City has covenanted to commence foreclosure proceedings against delinquent parcels under certain conditions. See "SECURITY FOR THE BONDS - Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

The following table shows historic Special Tax delinquency rates for the District since its formation.

City of Roseville
North Central CFD No.1
Special Tax Levy and Delinquencies for
Fiscal years 1992-93 through 1997-98

Fiscal Years	Levy	Actual Tax Receipts	Delinquent Amount	Delinquency Rate
92-93	$ 4,941,824.00	$7,941,823.99	$ 0.00	0.000%
93-94	6,073,000.00	6,061,794.46	11,205.54	0.185
94-95	6,883,560.00	6,879,810.26	3,749.74	0.054
95-96	7,247,907.00	7,197,600.79	50,306.21	0.694
96-97	7,719,076.00	5,894,584.47	1,824,491.53	23.636[1]
97-98	7,647,872.70	7,603,049.18	44,623.52	0.583

[1] This delinquency rate was largely attributable to the transfer of ownership from Balcor to Richland Irvine, Inc., when Special Taxes were not paid by the seller. See "THE DISTRICT – Progress of Development in the District – The Balcor Ownership." The taxes were brought current in the same fiscal year.

Source: The City.

Richland Irvine

Richland Irvine, Inc. ("Richland Irvine") is a Florida corporation and is part of the Richland Properties real estate group owned by Jack H. Bray. Richland Irvine owns approximately 290.8 acres in the District representing approximately 25% of the Special Tax lien.

Jack Bray has been active in real estate investment and development in California, Texas, Florida, and Canada for over 25 years through his companies, Richland Properties, Inc., based in Tampa, Florida and Richland Communities, Inc. ("Richland"), based in Santa Ana and Roseville, California. Mr. Bray has developed over 1,000,000 sq. ft. of office and industrial buildings, as well as anchored retail shopping centers, and many residential-commercial master planned communities.

Major developments in Florida include The Summit, a 186 acre commercial-office mixed use project and Southchase, a 3,200 acre residential-commercial mixed use project, both in the Orlando area, and Calusa Trace in Tampa. Southchase currently has in excess of 3000 single-family homes completed and is in the final stages of buildout. Calusa Trace is a 300-acre residential project with over 900 homes and a 30-acre retail shopping center, now fully developed. Texas projects include West Rim Estates in Austin, a gated 200 lot, custom home development, and the Stone Oak master plan in San Antonio, a 4,800 acre mixed use project which will have over 4,000 homes at full buildout.

In 1994, Mr. Bray and Richland began to focus on the California market and have began developing numerous projects in Riverside County, Thousand Oaks, Westlake Village, Chino Hills, Temecula, Murrieta, and San Diego County, in Southern California and Roseville. Included above is Pinehurst in Chino Hills totaling 700 single-family lots, of which 300 have been developed and sold to builders, 100 are in development and 300 lots remain to be developed. The Roseville property includes Richland's property in the District and in Highland Reserve North Specific Plan Area, which collectively

represent a 2,300-acre master plan area of which Richland has approximately 2,800 residential units remaining to be completed, as well as 400 acres of various commercial uses.

Richland does not typically fully develop its properties, electing to end its investments with the sale of improved parcels ready for further development. Richland's customers include many of the national and regional residential builders including Centex, U.S. Homes, Pulte Homes, Kaufman and Broad, Forecast Homes, Western Pacific Homes, Fairfield and Spanos as well as commercial users and developers, such as Home Depot, Wal-Mart, Albertsons, World Com and Trammel Crow. Richland Irvine is in escrow to sell a 34.4 net acre site (APN: 363 010 001) to FF Realty Company. This site is zoned for high density housing and will accommodate a 600 unit project. Richland Irvine is also currently negotiating the sale of a 15 acre parcel which will accommodate 300 residential units (APN: 363 010 021) at a sale price of approximately $3.5 million (with the assumption of the Special Tax lien).

Richland funds its land acquisition and development activities, including those within the District, with cash on hand and from revolving lines of credit it has established with various banks. Certain of these banks include U.S. Bank, Bank of the Orient and American Southern Bank. Most of the Richland land holdings, including property in the District, comprise a real estate collateral pool securing outstanding balances on the lines of credit. Accordingly, Richland's property in the District is subject to a deed of trust which contains release provisions to accommodate sales of parcels.

The following table summarizes Richland Irvine's ownership in the District as of April, 1999. Richland Irvine contemplates that it will sell its property in the District to developers and end-users as demand and market conditions warrant. In addition to property in the District, Richland Irvine owns all of the property in the Highland Reserve North Specific Plan Area north of the District. See "THE DISTRICT" above. For value-to-lien ratios of property owned by Richland Irvine, Inc. based on anticipated land use categories, see "APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Value to Special Tax Board and Debt Service coverage Ratios" below.

Property Type	Parcels	Acres	Percent of Special Tax Lien
Commercial	7	136.2	12.66%
Industrial	2	90.6	5.96
Multi-Family [1]	2	41.9	4.34
Single Family	1	22.1	2.04
Totals	12	290.8	25.0%

[1] These parcels are in escrow for sale to FF Realty Company (a real estate entity controlled by Morgan Stanley Real Estate Group).

Evergreen Britannia

The Creekside Ridge project planned for Parcels 33, 36, 37, 95 96 and 97 is owned and developed by Evergreen Britannia, a joint venture entity, the partners of which are the Evergreen Company and Britannia Pacific Properties. These parcels represent APNs 015-160-050 (001, 003, 001a, and 006), 015-160-051 (001 and 002) and 016-350-056. This combined 134 acre development consists of a mixed use project representing 523,600 square feet of office space, 694,100 square feet of retail commercial space and 154,000 square feet of hotel development. See "THE DISTRICT - Current and Anticipated Development within the District" above. The Retail Component of the Creekside Ridge project is being jointly developed by Evergreen Britannia and a joint venture partner, Donahue Schriber. The Evergreen Company, a California general partnership, was formed in 1980 and has focused its development activities in the Sacramento Metropolitan Area. The Evergreen Company, in partnership with Britannia Pacific Properties, an international investment company, has purchased or developed more than 2.75

million square feet of suburban offices in the Sacramento Metropolitan Area. As the local entity on behalf of the joint venture, the Evergreen Company is responsible for the development and property management of a current portfolio of approximately 1.8 million square feet in the region. Some of the venture's recent developments include the Capital Bank of Commerce Building, California State National Guard Headquarters, AT&T Wireless Services Regional Headquarters, Level One Communication, Inc. Headquarters, Sterling Software Storage Management Division Headquarters, Vision Service Plan and Delta Dental Plan of California, as shown in the table below.

Britannia Pacific Properties is part of the Lewis Trust Group Ltd., an international investment company, with headquarters in London, England. Britannia Pacific Properties began investing in the Sacramento Metropolitan Area beginning in 1980.

The following are recent office developments by the Evergreen Company in the Sacramento Metropolitan Area for the calendar years 1990-1999:

Location	Tenant	Building Size	Construction Start Date	Date of Occupancy
9750 Goethe Road	Level One Communications, Inc.	88,000 sq. ft.	June 8, 1993	April 1, 1994
9800 Old Placerville Road	Level One Communications, Inc.	51,500 sq. ft.	July 5, 1994	April 1, 1996
9785 Goethe Road	Level One Communications, Inc.	24,000 sq. ft.	November 4, 1997	July 27, 1998
9838 Old Placerville Road	Level One Communications, Inc.	140,000 sq. ft.	January 28, 1998	December 1, 1998
9800 Goethe Road	State of California-National Guard	110,000 sq. ft.	May 18, 1992	April 1, 1993
9805 Goethe Road	Schools Insurance Authority	13,000 sq. ft.	October 1, 1992	August 1, 1993
9815 Goethe Road	State of California-Employment Development Dept.	88,000 sq. ft.	May 15, 1991	June 1, 1992
9825 Goethe Road	State of California Dept. of Corrections	45,500 sq. ft.	May 1, 1990	December 1, 1990
9850 Goethe Road	County of Sacramento Dept. of Solid Waste	19,000 sq. ft.	May 31, 1995	December 1, 1995
10030 Goethe Road	AT&T Wireless Services, Inc. Switch	30,000 sq. ft.	June 6, 1994	December 1, 1994
1000 Goethe Road	AT&T Wireless Services, Inc.	110,000 sq. ft.	July 31, 1995	August 1, 1996
3300 Zinfandel Drive	EdPund	130,000 sq. ft.	June 18, 1996	October 1, 1997
10811 International Drive	Sterling Software	56,000 sq. ft.	May 14, 1997	January 31, 1998
11125 International Drive	Delta Dental Plan	100,000 sq. ft.	September 11, 1998	December 28, 1998
10834 International Drive	Foundation Health	50,000 sq. ft.	July 29, 1997	March 1, 1999
11120 International Drive	Mercury Insurance	100,000 sq. ft.	March 16, 1998	January 25, 1999

With respect to the development of the Retail Component of the project described under the caption "THE DISTRICT - Current and Anticipated Development in the District" above, Evergreen Britannia has entered into a joint venture agreement with Donahue Schriber, a Newport Beach, California based shopping center developer. The following information has been provided by Donahue Schriber.

Donahue Schriber is a fully-integrated, privately held real estate investment trust, which specializes in the acquisition, development, asset management, construction and leasing of retail shopping centers. Donahue Schriber has 28 years of experience in the development, management and leasing of

retail real estate. To date, Donahue Schriber has developed, redeveloped or acquired over 12 million square feet of retail commercial space.

Included in Donahue Schriber's developments in California are the Glendale Galleria in Los Angeles County and Tustin Market Place, Fashion Island and Anaheim Plaza in Orange County. With the acquisition of Diversified Shopping Centers in April 1998, the company has greatly expanded its presence on the West Coast with over 12.5 million square feet of retail mall management.

Dan Donahue and Tom Schriber serve as Chairman and President, respectively, and direct the daily operations of the company. Some of Donahue Schriber's clients or partners include the following: CIGNA Capital Advisors, AETNA Life Insurance Company, J.P. Morgan Investment Management, New York State Teachers Retirement System, the California State Teachers Retirement System, The State Teachers Retirement System of Ohio, Equitable Real Estate Investment Management Inc., The Irvine Company, AMB Institutional Realty Advisors Inc., Northwestern Mutual, Pardue-Weyerhauser, among others.

Bollinger

Peter P. Bollinger Investment Company is a California limited partnership ("PPBIC"), whose general partner is a family trust controlled by Peter P. Bollinger, an individual. PPBIC owns or controls five parcels in the District. All five parcels are zoned for commercial and office use development. Collectively, these parcels represent 69.3 acres or 6.2% of the total Special Tax lien with respect to the District. One of the parcels representing 29.5 acres is proposed to be developed as the "Fountain Shopping Center" (corner of Harding Boulevard and Roseville Parkway) consisting of big box retail, specialty shops and restaurants. This parcel (APN: 363 010 006) is situated across from the Galleria regional mall currently under construction. PPBIC is in the process of receiving final approval from the City and is marketing the project to potential tenants. Two other parcels collectively comprising 22.3 acres (APN: 363 010 007 and 008) are proposed to be developed as a 250,000 square foot office complex, and plans for the final entitlements to be submitted to the City are being developed. These three parcels are owned by PPBIC, (63%) and Folsom Central LLC (37%), a California limited liability company whose members are the family members of Peter P. Bollinger.

The remaining two parcels in the District controlled by PPBIC, representing 17.5 acres, are owned by Roseville Grove LLC, a California limited liability company whose members are PPBIC (50%) and Paul Petrovich, an individual (50%). These properties (APN: 360 030 017 and 019) are zoned for commercial development and currently PPBIC does not have immediate plans for their development.

Peter P. Bollinger has been involved in the real estate field since 1959. After two years of general brokerage, Peter P. Bollinger joined forces with Barry Spivak in a partnership known as Spivak-Bollinger Company. Spivak-Bollinger Company was primarily involved in the development of freeway oriented commercial properties, including restaurants, motels, service stations and the development of retail commercial buildings.

Tenants involved in Spivak-Bollinger developments included: Denny's Restaurants, Colony Kitchen Restaurants, Sambo's Restaurants and VIP'S Restaurants. Motel tenants included: Motel 6, Vagabond Motel and various independent motels. Oil Company tenants included: Standard Oil, Shell Oil, Mobil, Texaco and Atlantic-Richfield. General commercial tenants included: Alpha Beta Markets and Farmers Market among other independent commercial tenants. Office buildings were built in Sacramento and Chico, California.

In January of 1969, the Spivak-Bollinger partnership was dissolved, and Peter P. Bollinger commenced doing business as Peter P. Bollinger Investment Company, a company solely controlled by Peter P. Bollinger. The company was initially involved mainly in freeway oriented commercial developments.

In 1974, PPBIC entered into the shopping center development field and since that date has developed shopping centers at various locations in Northern California. In addition to shopping center developments, PPBIC also owns Inter-Cal Real Estate corporation which is a management and leasing company. PPBIC and its affiliates develop, own, lease and manage their shopping center developments.

Financing for the projects developed by PPBIC are provided through internal cash flow or banking arrangements. Currently PPBIC has banking arrangements with U.S. Bank, Sacramento, which has provided acquisition and development as well as construction and permanent loans secured by PPBIC's real estate holdings. PPBIC currently has approximately $15.1 million of secured loans through this bank.

PPBIC has developed and currently owns approximately 65 properties throughout Northern California. These developments include, in addition to freeway oriented properties and shopping centers referenced below, land, office buildings and industrial properties. Shopping Centers developed and currently owned and managed by PPBIC in California include the following:

1. Auburn & Greenback Plaza – Light Bulbs Plus, Capitol Transmission center at Auburn Boulevard and Greenback Lane, Citrus Heights, Sacramento County;

2. Sunrise Festival – Marshalls, Beverages & More, Eddie Bauer, Filco Appliance Video & Audio Center at Sunrise Boulevard and Greenback Lane, Citrus Heights, Sacramento County;

3. Sunrise Festival II – Staples, PetsMart center at Sunrise Boulevard in Citrus Heights, Sacramento;

4. Best Plaza – Center at Ming Avenue and Old Steine Road, Bakersfield, Ventura County;

5. County Fair – Safeway, Rite Aid center at Highway 50 and Placerville Drive, Placerville, El Dorado County;

6. Greenback Square – Elliott's Foods, Great Western Bank center at Greenback Lane between Sunrise Boulevard and Fair Oaks Boulevard, Citrus Heights, Sacramento County;

7. West Court Plaza – Super Saver, Kragen Auto, 98¢ Clearance, Six Star center at West Court Street and West Street, Woodland, Yolo County;

8. Folsom Faire – 24 Hour Workout, 98¢ Clearance, Filco Appliance Video & Audio center at Bidwell Street and Glenn Drive, Folsom, Sacramento County;

9. Lake Crest Village – Super Saver, Rite Aid, Marshalls center at I-5 and Florin Road, Sacramento County;

10. Loehmann's Plaza – Loehmann's, Lucky center at Fair Oaks Boulevard and Munroe Street, Sacramento County;

11. Greenfaire Village – Sacramento Blood Center, Greenfaire Salon at Greenback Lane and Fair Oaks Boulevard, Citrus Heights, Sacramento County;

12. Woodland Plaza – Center located at West and West Main Street, Woodland, Yolo County; and

13. Folsom Central – Kinko's, Round Table center located in Folsom, Sacramento County;

The Company also owns two apartment properties that were purchase as investments. The two properties are Ashford Park Apartments and River Terrace Apartments. The properties are both off Highway 5 in Sacramento, California. The total number of units from both properties combined is 626.

Urban Roseville LLC

Urban Roseville LLC is a California limited liability company formed for the purpose of ownership development of the Galleria at Roseville regional mall currently under construction. Urban Roseville LLC is owned by Urban Shopping Center L.P (99.9% interest) and Urban Shopping Centers, Inc (0.1% interest as a general partner).

Urban Shopping Centers, Inc. is a self-administered real estate investment trust (REIT) in the business of owning, acquiring, managing, leasing, developing and redeveloping super-regional and regional malls throughout the United States. Urban Shopping Centers commenced operations in October 1993 and is listed on The New York Stock Exchange and The Chicago Stock Exchange (Symbol: URB).

Urban Shopping Centers currently owns a portfolio consisting of interests in seventeen retail properties comprised of more than 15 million square feet of space and also has an approximate 1.1 million square foot regional mall and an approximate 350,000 square foot community center under development. The company opened Brandon TownCenter in Tampa, Florida in 1995 and Wolfchase Galleria in Memphis on February 26, 1997. The company's portfolio, excluding recent acquisitions and development, produced sales per square foot of $364 in 1997, which ranks among the highest in the industry.

Urban Shopping Centers owns interests in several of the premier shopping centers in the United States, including Oakbrook Center (Oak Brook, Illinois), Water Tower Place (Chicago, Illinois), Copley Place (Boston, Massachusetts), San Francisco Shopping Centre (San Francisco, California) and Old Orchard Center (Skokie, Illinois), as well as in Urban Retail Properties Co., its property management, leasing and development affiliate. Urban Retail Properties Co. is one of the nation's largest retail property managers, managing more than 50 million square feet of regional malls and community centers in 21 states and the District of Columbia.

Vacant Residential Development (Misc.)

Residential property under development consists of approximately 373.29 acres of single family projects and 61.40 acres of multifamily projects. Within the single family projects under development, 231 dwelling units have received certificates of occupancy 238 are under construction. The projects are owned by homebuilders such as Lennar Renaissance, SMC Development Corp., Cresleigh Homes, Hill Country, Lewis Homes Enterprises, Morrison Homes, Delta Highlands and John Mourier Construction. In addition to these homebuilders there are other local builders and owners who represent smaller concentrations of land holdings.

No assurance can be given that an owner of any parcel in the District will be the continuing owner of its property, the developer of its property in the District or will develop its property in accordance with the North Central Roseville Specific Plan.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

The City ordered preparation of an appraisal report dated February 8, 1999 (the "Appraisal") of the estimated value as of January 18, 1999 for the land within the District, which was prepared by Bender Rosenthal, Sacramento, California (the "Appraiser"). The Appraisal Report is set forth in APPENDIX B hereto. The description herein of the Appraisal Report is intended for limited purposes only; the Appraisal Report should be read in its entirety and may be reviewed at the administrative offices of the City.

The District includes property which is both developed and undeveloped. For the developed property, the 1998-99 County assessed value was used by the Appraiser. For undeveloped property, the Appraiser used various data collected as part of the appraisal process. Due to the unique composition and the assumed condition of the undeveloped property in the District, a discounted cash flow analysis was undertaken by the Appraiser rather than a sales comparison or cost approach. Under the discounted cash flow analysis, a series of projected future cash flows are discounted to yield estimates of present value. The discounted cash flow models developed in the valuation analysis incorporate a site-specific market absorption study with the estimates of market (retail) value for each of the undeveloped parcels.

The Appraisal reports the estimate of the aggregate value of the property within the District as of January 18, 1999. The Appraiser's estimate of value as of January 18, 1999, as determined by the Appraiser using these methodologies, subject to special tax and special assessment liens and to the assumptions and limitations set forth in the Appraisal, is $242,000,000. This valuation is based on the assumption that all infrastructure which was paid for with proceeds of the Prior Bonds (as described under the caption "THE IMPROVEMENTS" above) and from assessments for other bonds which are a lien against the parcels, is complete. The City reports that all of the Improvements financed with the Prior Bonds have been completed. Accordingly, the value of these Improvements is included in the $242,000,000 valuation. Other bonds that affect portions of the property in the District include the City of Roseville Elementary and Roseville High School Bonds, a Lighting and Landscaping District and the Roseville Rocklin Sewer 1915 bond. See "Priority of Lien" below. The Appraiser's valuation excludes all portions of the property in the District designated for public and quasi public purposes in the North Central Roseville Specific Plan.

As an adjunct to the Appraisal, Hausrath Economics Group prepared absorption projections for the various property types that exist in the District. These projections, which are a necessary step in the overall valuation of those properties that are not yet absorbed, are contained in an addendum to the Appraisal. The Appraiser indicates in the Appraisal Report the it reviewed the projections and incorporated them into its analysis. This is useful in determining the bulk sale value, which the Appraiser generally defines as the most probable price, in a sale of *all* parcels within the District to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property should sell after reasonable exposure in a competitive market. For purposes of the undeveloped property in the District designated for commercial and business professional (office) use, Hausrath Economic Group estimated an absorption period ending in 2020 and for light industrial the absorption period was estimated to extend to 2015.

The following table shows the Appraiser's allocation of the valuation of property in the District among the various categories of land use.

Property Category	Acres	Aggregate Assessed Values	Aggregate Appraised Values	Bulk (Discounted) Values
Residential Improved (About 450 Homes, 2 Multifamily properties)	103.43	$78,899,944	n-a	n-a
Commercial Improved (Retail north of Highway 65)	41.50	35,800,388	n-a	n-a
Commercial Unimproved - (Immediate Development)	173.10		$45,912,240 (265,235-Acre)	
Residential Unimproved (Future Development)	434.69			$65,788,508 (151,346-Acre)
Commercial Unimproved (Future Development)	380.50			$15,496,577 (40,727-Acre)
Public-Quasi Public Lands	91.78	n-a	n-a	n-a
TOTALS	1,225.11	$114,700,332	$45,912,240	$81,285,085
TOTAL APPRAISED VALUE				$241,897,657

Source: The Appraisal.

Assumptions and Limiting Conditions. For the purpose of the Appraisal, properties appraised are assumed to be subject to the maximum annual Special Tax obligations.

In considering the estimates of value evidenced by the Appraisal, it should be noted that the Appraisal is based upon a number of standard and special assumptions, including the assumptions described in the paragraph preceding the table above, which affected the estimates as to value. Because the Appraisal set forth the Appraiser's opinion as to value only as of the date of such Appraisal, it does not reflect any changes to value that might have occurred since that date or which may occur in the future.

The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events, such as growth control initiatives and government regulations or the discovery of toxic substances on land within the District reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See "SPECIAL RISK FACTORS — Future Land Use Regulations and Growth Control Initiatives" and "— Hazardous Substances" below. See "APPENDIX B — THE APPRAISAL" hereto for a description of other assumptions made by the Appraiser. Accordingly, because the Appraiser arrives at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and

offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

Property values are not likely to be evenly distributed throughout the District; thus, when individual parcels are ultimately created and recorded, certain parcels may have a greater value per acre than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the Bonds are outstanding in that the City has no control over the market value of the property within the District or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See "Priority of Lien" below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see "SPECIAL RISK FACTORS" herein.

The complete Appraisal is on file with the City and is available for public inspection at the City offices at 311 Vernon Street, Roseville California 95678. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal. The information contained herein and in Appendix B is a summary only of certain information contained in the Appraisal, and such information and the information contained in Appendix B are qualified in their entirety by the Appraisal.

Value to Special Tax Burden and Debt Service Coverage Ratios

The Appraisal sets forth the aggregate valuation of all taxable property within the District as $242 million subject to the Special Tax and special assessment liens, and subject to the limiting conditions stated therein. See "The Appraisal" above and Appendix B hereto. The principal amount of Bonds is $58,660,000. Consequently, the aggregate value of the real property within the District is approximately 4.12 times the principal amount of the Bonds. Some of the property in the District is subject to overlapping Special Tax and assessment liens. See "Priority of Lien – Overlapping Debt" herein. Such overlapping lien amount is equal to $1,407,834.

The following table shows the value to lien ratio for property in the District by development status and category of planned development.

City of Roseville
North Central Roseville CFD No. 1
Value to Lien Ratios by Category of Development

Land Type	Development Status	Residential Units	Parcels	Acres[1]	Appraised Value[2]	Retail Value	Lien[3]	Appraised Value to Lien	Percent Of Lien
Single Family	Improved	450	450	73.73	$76,931,344	$76,931,341	9,942,870	7.74	16.95%
Single Family	Unimproved	1,734	681	373.29	59,256,508	84,621,051	12,476,982	4.75	21.27
Multi-Family	Improved[4]	572	2	29.70	1,968,600	1,968,600	1,478,232	1.33	2.52
Multi-Family	Unimproved	1,030	5	61.40	6,532,000	9,328,000	3,613,456	1.81	6.16
Subtotal Residential		3,786	1,138	538.12	144,688,452	172,868,994	27,511,540	5.26	46.90%
Commercial	Improved	--	6	41.50	35,800,388	35,800,388	2,768,752	12.93	4.72
Commercial	Immediate[5]	--	6	173.10	45,912,240	45,912,240	9,502,920	4.83	16.20
Commercial	Future	--	15	289.90	14,311,180	90,525,523	15,380,652	0.93	26.22
Industrial	Future	--	2	90.60	1,185,425	7,498,418	3,496,136	0.34	5.96
Subtotal Com'l & Industrial		--	29	595.10	97,209,233	179,736,569	31,148,460	3.12	53.10
Total			1,167	1,133.22	$241,897,685	$352,585,561	58,660,000	4.12	100.00%

(1) Excludes 91.78 acres of public-quasi public land which do not have a Special Tax lien.
(2) Parcel values from the Appraisal.
(3) Based on the Maximum Annual Special Tax per parcel as set forth in the Special Tax Formula, divided by the aggregate Maximum Annual Special Tax on all parcels, and multiplied by the amount of Bonds.
(4) A portion of such parcels, representing 336 dwelling units, are under construction.
(5) Represents the 94 acre regional mall site and 79 acres of the Creekside development.

Source: Compiled from data in Appraisal.

The following table shows the value to lien ratio for the ten largest owners in the District.

City of Roseville
North Central Roseville CFD No. 1
Value-to- Lien Ratio - Top Ten Owners

No.	Owner	Project(s)	Parcels	Acres	Appraised Value[1]	Retail Value	Lien[2]	Appraised Value to Lien	Percent of Lien
1	Richland Irvine	various	12	291	$14,124,291	$58,221,054	$14,665,000	0.96	25.0%
2	Evergreen	Creekside	7	134	23,607,336	35,937,000	6,511,260	3.63	11.1
3	Urban Roseville	Galleria	1	94	24,620,112	24,620,112	5,807,340	4.24	9.9
4	Bollinger	Fountains	5	69	4,299,868	27,198,864	3,636,920	1.18	6.2
5	Chiurlia	various	2	37	1,827,679	8,056,071	2,053,100	0.89	3.5
6	Warmington	SFR	6	56	6,966,384	9,948,320	2,053,100	3.39	3.5
7	Cresleigh	SFR	90	28	4,912,235	7,014,900	1,701,140	2.89	2.9
8	SMC	SFR	24	31	4,937,885	7,051,530	1,642,480	3.01	2.8
9	Hill Country	SFR	4	40	3,969,156	5,668,140	1,583,820	2.51	2.7
10	Lennar	SFR	143	19	5,144,790	7,347,000	1,525,160	3.37	2.6

(1) Values from the Appraisal.
(2) Based on the maximum Special Tax per parcel as set forth in the Special Tax Formula, divided by the aggregate maximum Special Tax on all parcels, and multiplied by the amount of Bonds.

Source: Compiled from data in Appraisal.

The following table shows the value to lien ratio by anticipated land use for the holdings of Richland Irvine, the largest property owner in the District.

City of Roseville
North Central Roseville CFD No. 1
Value-to- Lien Ratio By Land Use - Richland Irvine

Property Type	Parcels	Acres	Allocated Appraised Bulk Value[1]	Retail Value	Lien [2]	Appraised Value to Lien	Percent of Lien
Commercial	7	136.2	$6,584,087	$41,647,716	$7,426,356	0.88	12.66%
Industrial	2	90.6	1,185,425	7,498,418	3,496,136	0.34	5.96
Multi-Family[3]	2	41.9	4,107,709	5,866,000	2,545,844	1.61	4.34
Single Family	1	22.1	2,247,070	3,208,920	1,196,664	1.88	2.04
TOTAL	12	290.8	$14,124,291	$58,221,054	$14,665,000	0.96	25.00%

(1) Parcel values from the Appraisal.
(2) Based on the maximum Special Tax per parcel as set forth in the Special Tax Formula, divided by the aggregate maximum Special Tax on all parcels, and multiplied by the estimated issue size of the Bonds.
(3) These parcels are in escrow for sale to Fairfield Development (a real estate entity controlled by Morgan Stanley Real Estate Group)

Source: Compiled from data in Appraisal.

As an adjunct to the Appraisal, Hausrath Economics Group prepared absorption projections for the various property types that exist in the District. These projections were reviewed by the Appraiser and were incorporated into the Appraiser's bulk valuation analysis. For purposes of the undeveloped property in the District designated for commercial and business professional (office) use, Hausrath Economic Group estimated an absorption period ending in 2020 and for light industrial the absorption period was estimated to extend to 2015. See "The Appraisal" above.

The City plans to levy the Maximum Annual Special Tax on all parcels in the District until all of the Pay-As-You-Go Obligation has been met. See "THE IMPROVEMENTS" herein. The Maximum Annual Special Tax Levy for fiscal year 1998-99 was $7,548,004 for the entire District, and it is expected to be approximately the same for fiscal year 1999-2000 (accounting for the property owner prepayments for certain parcels) which would provide annual debt service coverage on the Bonds of approximately 143% for fiscal year 1999-2000. After the Pay-As-You-Go Obligation has been met (which is currently expected to be within 3 to 7 years), the City contemplates that the Maximum Annual Special Tax will be reduced to $6.59 million (assuming no prepayment other than those completed to date) in accordance with the Special Tax Formula. This revised Maximum Annual Special Tax is estimated to provide debt service coverage on the Bonds of approximately 125%. See "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS — Special Tax Methodology" above. See also "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

In comparing the appraised value of the real property within the District and the principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within the District unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. The purpose would be to finance additional regional or local public improvements or services. The lien created on the land within the

District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the land developers or the merchant builders in order to complete their project. The deeds of trust securing such debt on property within the District, however, will be in a junior position to the lien of the Special Tax.

Priority of Lien

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within the District and payment of the Special Tax is secured by a lien on certain real property within the District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in the District. The imposition of additional Special Taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, any or all of which could include all or a portion of the land within the District.

Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

In addition to the lien of the Special Tax with respect to the District, there are liens with respect to existing Mello Roos Districts and assessment districts affecting a portion of the property within the District. See the overlapping debt table below.

Overlapping Debt

The following table shows direct and overlapping debt affecting property in the District.

CITY OF ROSEVILLE
NORTH CENTRAL COMMUNITY FACILITIES DISTRICT NO. 1

1998-99 Assessed Valuation: $162,898,335

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable [1]	Debt 4-1-99	
Rocklin Unified School District	0.029%	$ 14,979	
Roseville Joint Union High School District	1.976	686,391	
Roseville City School District	3.947	706,191	
Placer County Water Agency, Zone No. 1 and Waterworks No. 1	Various	273	
City of Roseville North Central Community Facilities District No. 1	100.	58,420,000	(2)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$59,827,834	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Placer County General Fund Obligations	0.849%	$ 167,465	
Sierra Joint Community College District Certificates of Participation	0.599	35,969	
Rocklin Unified School District Certificates of Participation	0.031	942	
Roseville Joint Union High School District Certificates of Participation	1.963	57,614	
Roseville City School District Certificates of Participation	3.953	922,037	
City of Roseville Certificates of Participation	2.693	811,401	
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		$1,995,428	
COMBINED TOTAL DEBT		$61,823,262	(3)

(1) Based on a 1998-99 redevelopment adjusted all property assessed valuation of $160,590,520.
(2) Represents Prior Bonds and excludes Bonds to be sold.
(3) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 1998-99 Assessed Valuation:

Direct Debt ($58,420,000)	35.86%
Total Direct and Overlapping Tax and Assessment Debt	36.73%
Combined Total Debt	37.95%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6-30-98: $0

Source: California Municipal Statistics.

SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

No General Obligation of the City

THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY AND INTEREST ON THE BONDS IS NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE CITY. THE GENERAL FUND OF THE CITY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE MONEY IN THE SPECIAL TAX FUND DESCRIBED HEREIN. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE CITY COUNCIL NOR THE CITY NOR ANY OFFICER OR EMPLOYEE THEREOF SHALL BE LIABLE FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS OTHER THAN FROM THE PROCEEDS OF THE SPECIAL TAX AS PROVIDED IN THE FISCAL AGENT AGREEMENT.

The Bonds are not general obligations of the City but are limited obligations of the City and the District payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property in the event of a foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Any tax for the payment of the Bonds will be limited to the Special Tax to be collected within the jurisdiction of the District.

Failure to Develop Properties

A substantial portion of property in the District is undeveloped. Land development operations are subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect land development operations. In addition, future initiatives approved by the voters or regulations or policies adopted by the City could add more restrictions and requirements on development within the District. See "Future Land Use Regulations and Growth Control Initiatives" below. See also "THE DISTRICT - Development Agreements."

Moreover, there can be no assurance that land development operations within the District will not be adversely affected by a deterioration of the real estate market and economic conditions or the adoption of local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of the principal of and interest on the Bonds.

Land Development Costs

Development of land within the District is contingent upon construction or acquisition of public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage and flood protection facilities, gas, telephone and electrical facilities and street lighting, some but not all of which were financed with proceeds of the Prior Bonds, as well as local in-tract improvements. There can be no assurance that all of these improvements will be constructed or will be constructed in a timely manner to permit the completion of development currently planned for the District. The developers or persons purchasing property within the District from a developer will be responsible for obtaining a loan or other source of funds to pay costs of a portion of such development.

The cost of these public and private in-tract, on-site and off-site improvements could increase the public and private debt for which the land within the District is security. This increased debt could reduce the ability or desire of the owners of property within the District to pay the annual Special Taxes levied against the property. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" herein.

Land Values

The Appraisal Report included as APPENDIX B sets forth the assumptions of the Appraiser in estimating the market value of the property within the District as of the date indicated. No assurance can be given that the land values are accurate if these assumptions are incorrect or that the values will not decline in the future if one or more events, such as natural disasters or adverse economic conditions, occur.

Bankruptcy

The payment of property owners' taxes and the ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," herein.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a default in payment of the interest on the Bonds and the possibility of delinquent tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries, Inc.* (971 F.2d 391). In that case the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for Chapter 11 relief under the Bankruptcy Code were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the filing of the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy estate were an unsecured obligation, payable after all secured creditors. As a result, the

secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Act provides that the Special Taxes are secured by a continuing lien, which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of Special Tax received from parcels whose owners declare bankruptcy could be reduced.

Other Public and Private Debt

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District. There can be no assurance that the property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity Special Taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT - Priority of Lien" herein.

In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District, however, the lien of such loans would be subordinate to the lien of the Special Taxes.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all Special Taxes and special assessments and is co-equal to and independent of the lien for general property taxes upon the same property regardless of when they are imposed. The Special Taxes have priority over all existing and future private liens imposed on the property. There are assessments and other special taxes levied against property in the District. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT - Priority of Lien" herein.

Insufficiency of Special Taxes

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or device, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property, to the extent necessary to cover outstanding debt, is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. If the federal government or another non-taxable entity successfully takes the position that property owned by it or in which it has a security interest and subject to the Special Tax becomes exempt from taxation, the Special Tax will be reallocated to the remaining taxable properties within the District, subject to the limitation of the maximum authorized rate of levy on each

parcel. This could result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax.

Tax Delinquencies

Under provisions of the Act, the Special Taxes will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for nonpayment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax payments in the future.

The City has covenanted to commence foreclosure proceedings against delinquent parcels under certain conditions. See "SECURITY FOR THE BONDS - Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

Ballot Initiatives

From time to time, initiative measures qualify for the State ballot pursuant to the State's constitutional initiative process and those measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of the vacant land within the District. See "Failure to Develop Properties" above. See also "Proposition 218" below.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property related fees and charges. The procedure for the levy of special taxes under the Act was not substantially changed by Proposition 218.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainly the outcome of such determination.

The Year 2000 Problem

The "Year 2000" problem arose because many existing computer programs use only the last two digits to refer to a year. Therefore, these computer programs do not properly recognize a year that begins with "20" instead of the familiar "19." If not corrected, many computer applications could fail or create erroneous results. The extent of the potential impact of the Year 2000 problem is not yet known, and if not timely corrected, it could affect the global economy. This issue could affect the City, the Fiscal Agent, DTC, the secondary market for the Bonds and other entities or systems which facilitate Bond payments and transactions. The City does not currently expect that the Year 2000 problem will affect its ability to meet its obligations under the Bonds, the Fiscal Agent Agreement and other documents with respect to the Bonds, however no assurance can be given that the Year 2000 problem will not at any time affect the Bonds or the operations of the City, the Fiscal Agent, DTC or any other entities with obligations directly or indirectly related to the payment or administration of the Bonds.

The City and the Year 2000 Problem

Roseville is a full service City that provides typical local government functions and provides additional services such as electric service and environmental services (water, wastewater, and refuse). The City has established a Year 2000 Committee with members from each department. The Committee has developed a "Departmental Y2K Inventory," listing all Y2K issues. This report is approximately 35 pages and serves as a roadmap for the City to follow.

The City of Roseville has a process in place in preparation to become Year 2000 compliant. The City's goal is to insure that critical internal and external issues have been identified, analyzed, modified, tested and implemented. This includes automated systems, hardware, operating systems, and imbedded chips. The City's highest priorities are to insure that electric services, water services and public safety services continue to function into the Year 2000.

The City has made significant progress insuring that the critical application systems are Y2K compliant. In most cases the City has purchased new systems to improve its business process. The City has only one major critical system to bring compliant, and that is its customer information utility billing system. This system is expected to be compliant by July of 1999. The City's plan is to have all Y2K issues resolved by October 1, 1999. In addition, the City is developing citywide contingency plans.

The Fiscal Agent and the Year 2000 Problem

The Fiscal Agent reports that in 1996, it established a Year 2000 Committee with responsibility for developing an effective plan for identifying, renovating, testing and implementing simulated solutions for Year 2000 processing. It is working with The Chase Manhattan Bank and Marshall & Ilsley (providers of its most significant data processing systems) as well as other vendors to assure compliance with the required systems changes. The Chase Manhattan Bank and Marshall and Ilsley are responsible for and bear the cost of effecting all necessary changes to such systems. In accordance with its Year 2000 plan, software code remediation is already completed and testing of all critical systems will be substantially completed by the end of the second quarter of 1999. Thus, it reports that it expects to have dealt with Year 2000 issues well in advance of the event.

The Fiscal Agent also reports that in the unlikely event that its systems fail or the third party vendor systems on which it relies fail (such vendors are but not limited to, those that provide hardware, software and other services), it may lose the ability to service its clients for a period of time. It has developed a contingency plan to deal with Year 2000 issues, including (1) identity of likely contingencies; (2) developing procedures to follow in the event of each contingency; and (3) identifying personnel responsible for each part of its business. The plan is now substantially complete but remains subject to change and refinement.

U.S. Trust has provided the foregoing data for informational purposes only, and it is not intended to serve as a representation, warranty, or contract modification of any kind.

DTC and the Year 2000 Problem

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income

payments) to security holders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Concentration of Ownership

Approximately 55.7% of the lien of the Special Tax levied on property within the District is currently owned by or controlled by five separate entities and within such property, one entity owns or controls property representing 25% of such lien. There may be subsequent transfers of ownership of the property within the District prior to completion of development. The fact that a substantial portion of the land within the District to which responsibility for such percentage of the Special Tax has been assigned is currently controlled by a small number of owners causes the responsibility for the payment of the annual Special Tax to be apportioned only to those owners. Because of that existing concentration of ownership of District land, the timely payment of the Bonds depends upon the willingness and ability of those owners to pay the Special Taxes when due. The only asset of such owners which constitutes security for the Bonds is such owner's real property holdings located within the District. See "Bankruptcy" above.

Future Land Use Regulations and Growth Control Initiatives

During the past several years, citizens of a number of communities in California have placed measures on the ballot designed to control the rate of future growth, including in the City, where in 1997 a growth-control initiative was firmly defeated. Although none of the initiatives are relevant to the District, it is possible that similar initiatives could be enacted, could become applicable to the Improvements and negatively affect the ability of the Developers to complete the proposed Improvements. Owners of the Bonds should assume that any event that significantly affects the ability to develop land in the District would cause the land values within the District to decrease substantially and could affect the willingness and ability of the owners of the land within the District to pay the Special Taxes when due. The Development Agreements are intended to vest the Developer's rights to the extent permitted by law and provide some degree of certainty of the Developer's right to develop its property in accordance with the Development Agreement.

Government Code Section 66474.3, enacted by the California State Legislature in 1988, provides some limited protection against the adverse impact resulting from a growth management initiative. The provision empowers a local legislative body to allow a project to develop in spite of a growth management initiative or ordinance if the local legislative body finds that application of the enacted

initiative measure is likely to cause a default on land-secured bonds issued to finance infrastructure benefiting the project. In such case, the City or the County could permit development in the District to proceed in a manner consistent with an approved tentative map. The cited Government Code section includes in the definitions of land-secured bonds, any bonds issued pursuant to the Act so long as such bonds were issued and sold at least 90 days before the proposed initiative was adopted by either popular vote or by ordinance adopted by the legislative body.

Although the City does not expect that development of property in the District will be affected by any growth control initiative, in evaluating the investment quality of the Bonds, investors should assume that the possible enactment of more restrictive land use policies or regulations by the City, by the County or by voter initiative presents a substantial risk to the timely construction and completion of development in the District, except with respect to parcels for which building permits have already been issued and substantial work and liabilities have been incurred in good faith reliance thereon prior to the date of adoption of any such land use regulations.

The failure to complete development in the District as planned, or substantial delays in the completion of the development due to litigation or other causes may increase the amount of delinquencies and-or reduce the value of the property within the District.

Hazardous Substances

Any discovery of a hazardous substance detected on property within the District would affect the marketability and the value of some or all of the property in the District. In that event, the owners and operators of a parcel within the District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are also applicable to property within the District and are as stringent as the federal laws. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels be contaminated by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the parcels within the District has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel within the District that is realizable upon a foreclosure sale.

Payments by FDIC

The ability of the City to collect the Special Taxes and interest and penalties specified by state law, and to foreclose the lien of delinquent Special Taxes, may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal governmental agencies has or obtains an interest. On June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "1991 Policy Statement"). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on FDIC's interest in the property as appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997 and that was owned by the RTC on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Mello-Roos Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The FDIC has filed claims against Orange County, California in the United States Bankruptcy Court and in Federal District Court contending, among other things, that special taxes are not *ad valorem* taxes, and therefore not payable by the FDIC, and any special taxes previously paid by the FDIC must be refunded. The FDIC is also seeking a ruling that special taxes may not be imposed on properties which are in FDIC receivership. On March 2, 1998, the Bankruptcy Court issued a tentative ruling supporting the FDIC's positions. The Federal District Court has not yet issued a ruling on the matter. If the Bankruptcy Court and the Federal District Court issued final rulings supporting the FDIC's positions, it is likely that Orange County will appeal the decisions. If Orange County does not appeal any such final decision, or if Orange County's appeal is unsuccessful, Orange County, and accordingly, the City may be required to refund any Special Taxes collected from property in FDIC receivership prior to the rulings,

and may not be able to collect Special Taxes with respect to property that is, or in the future becomes, subject to FDIC receivership. The FDIC does not presently own any of the property in the District.

The City is unable to predict what effect the FDIC's application of the Policy Statement would have in the event of a delinquency on a parcel within the District in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the Bonds.

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Article XIIIA of the California Constitution, commonly known as "Proposition 13," provides that each county will levy the maximum *ad valorem* property tax permitted by Proposition 13 and will distribute the proceeds to local agencies in accordance with an allocation formula based in part on pre-Proposition 13 *ad valorem* property tax rates levied by local agencies.

Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," which is defined as the County Assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect increases of no more than 2% per year or decreases in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

Article XIIIA exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and requires a vote of two-thirds of the qualified electorate to impose Special Taxes or any additional *ad valorem*, sales, or transaction taxes on real property. In addition, Article XIIIA requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues. On June 3, 1986, California voters approved an amendment to Article XIIIA of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Tax on the parcels within the District.

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIIIB of the State Constitution. Article XIIIB prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limits imposed. "Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues, certain state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not "proceeds of taxes" such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next March 15th after the end of the City's fiscal year (presently June 30) in each year commencing with its report for the 1998-99 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report is required to be filed with each Nationally Recognized Municipal Securities Information Repository. Each notice of a material event is required to be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5). Additionally, Richland Irvine, Inc., an owner of undeveloped property in the District, has also agreed to provide certain information with respect to development of its property in the District. The specific nature of the information to be provided by the City in the Annual Report or the notices of material events and to be provided from Richland Irvine, Inc. is summarized in "APPENDIX F — PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENTS."

VERIFICATION REPORT

Deliotte & Touche LLP, Houston, Texas, independent accountants, will verify from the information provided to them the mathematical accuracy, as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Prior Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is exempt from tax. Deloitte & Touch LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

UNDERWRITING

The Bonds were purchased through negotiation by Stone & Youngberg LLC, on its own behalf and as representative of PaineWebber Incorporated (the "Underwriters"). The Underwriters agreed to purchase the Bonds at a price of $57,780,100 (which is equal to the par amount of the Bonds, less the Underwriter's discount of $879,900) plus accrued interest, if any. The initial public offering prices set forth on the cover page hereof may be changed by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Cox, Castle & Nicholson LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E to this Official Statement, and the final opinion will be made available to registered owners of the Bonds at the time of delivery. A portion (less than one-sixth) of the fees payable to Bond Counsel are contingent upon the sale and delivery of the Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance of the Bonds for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. These requirements include, but are not limited to, restrictions on the use of bond proceeds and provisions which prescribe yield and other limits within which the proceeds of the Bonds are to be invested and require that certain investment earnings must be rebated on a periodic basis to the United States of America. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Pursuant to the Fiscal Agent Agreement, the City has covenanted to comply with the requirements of the Code and to cause the payment to the United States Treasury of any and all amounts required to be rebated under the Code with respect to the outstanding Bonds.

In the opinion of Cox, Castle & Nicholson LLP, San Francisco, California, Bond Counsel, subject to the qualifications set forth below, under existing law and assuming compliance by the City with the aforementioned covenants, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in certain earnings for purposes of federal alternative minimum taxable income of such corporations.

Although Bond Counsel has rendered an opinion that the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction and Bond Counsel expresses no opinion regarding any such consequences. Additionally, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the Bonds may affect the tax status of the Bonds.

Bond Counsel is further of the opinion that under existing law, interest on the Bonds is exempt from personal income taxation imposed by the State of California.

RATINGS

The City has not and does not contemplate applying to a rating agency for the assignment of a rating to the Bonds.

NO LITIGATION

At the time of delivery of and payment for the Bonds, the City Attorney will deliver his opinion that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents.

The execution and delivery of this Official Statement by the City has been duly authorized by the City Council on behalf of the District.

CITY OF ROSEVILLE

By: /s/ Phil E. Ezell
Finance Director

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

CITY OF ROSEVILLE
NORTH CENTRAL ROSEVILLE
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT

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1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the "Act") applicable to the land in the North Central Roseville Community Facilities District No. 1 (the "CFD") of the City of Roseville (the "City") shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. Definitions

"**Act**" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

"**Administrative Expenses**" means the costs incurred by the City to determine, levy and collect the Special Taxes, including salaries of City employees and the fees of consultants and corporate bond paying and/or fiscal agents or trustees for bonds and the costs of collecting installments of the Special Taxes upon the general tax rolls; preparation of required reports, and any other costs required to administer the CFD as determined by the Finance Director of the City of Roseville.

"**Annexation Parcel**" means any Public Parcel which becomes a developable parcel and is determined by the Public Works Director to receive benefit from the CFD facilities and is required to participate in the payment of the CFD's Annual Costs.

"**Annual Costs**" means for each Fiscal Year for the CFD, the total of 1) Debt Service; 2) Administrative Expenses; 3) any amounts needed to replenish bond reserve funds and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year, and 4) any Pay-As-You-Go expenditures for Subsequent Improvements.

"**Annual Tax Revenues**" means the amount of Special Taxes required each Fiscal Year to pay the Annual Costs.

"**Benefit Share**" means the Maximum Special Tax for a Debt Service Parcel divided by the Maximum CFD Revenue.

"**Bond Reserve Fund**" means the amount of CFD bond proceeds set aside by the City in a bond reserve account for the purpose of providing additional security to the bond holders for payment of principal and interest on the bonds, as specified in the bond resolution.

"**Bond Share**" means the product of the Benefit Share for a Debt Service Parcel multiplied by the applicable total of outstanding bonds as specified in option 2, Step 3, of Section 7 of this Rate and Method of Apportionment.

"**Bond Year**" means the 12-month period ending on the second bond payment date of each calendar year as defined in the resolution authorizing the issuance of bonds.

"**CFD**" means the North Central Roseville Community Facilities District No. 1 of the City of Roseville.

"**City**" means the City of Roseville, California.

"**Council**" means the City Council of the City of Roseville as the legislative body for the CFD under the Act.

"**County**" means the County of Placer, California.

"**County Assessor's Parcel**" means the Parcel and Parcel number as recorded by the County Assessor on the equalized tax roll.

"**Cumulative Pay-As-You-Go Collections**" means the total amount collected from Special Taxes and Reimbursements, for the authorized Pay-As-You-Go Obligation. The City shall update this amount annually based on the collection of Reimbursements and Pay-As-You-Go revenue collections calculated in Section 6, step 4 (d) (ii).

"**Debt Service**" means for each Fiscal Year or Bond Year, the total amount of principal and interest for any bonds of the City for the CFD during that Fiscal Year, less any applicable credits that may be available from any other sources and less any interest on reserve funds and other funds available to the City to pay principal and interest for the previous or current Fiscal Year or Bond Year.

"**Debt Service Parcel**" means a parcel that has satisfied its Pay-As-You-Go Obligation and is subject to the Maximum Special Tax in Column (A) of Attachment 1. Once a Parcel is so classified as a Debt Service Parcel, it can never be reclassified as a Subsequent Improvement Parcel.

"**Delinquency Coverage**" means the amount of Maximum Special Tax levied in each Fiscal Year to replenish the Bond Reserve Fund or to anticipate future delinquencies based on the historical delinquency rate for the CFD or the City as whole.

"**Finance Director**" means the Finance Director for the City of Roseville or his or her designee.

"**Fiscal Year**" means the period starting July 1 and ending the following June 30.

"**Gross Acre(age)**" means the acreage of a parcel prior to dedication of right-of-way for streets, roads, landscaping, and other public purposes.

"**Maximum Special Tax**" means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year. Each time a taxable parcel is subdivided, the

Maximum Special Tax will be reassigned to the Successor Parcels. The Maximum Special Tax shall be assigned to a Parcel as either a Debt Service Parcel (Column (A) of Attachment 1) or Subsequent Improvement Parcel (Column (B) of Attachment 1). The Maximum Special Tax is assigned on a per-parcel basis and is not affected by changes in land use.

"**Maximum CFD Revenue**" means the sum of the Maximum Special Tax at the Debt Service Parcel rate for all of the Taxable Parcels in the CFD.

"**NCRSP**" means the North Central Roseville Specific Plan.

"**Net Acre(age)**" means the acreage of a parcel as shown on the final subdivision map or parcel map excluding right-of-way dedicated for streets, roads, landscaping, and other public purposes.

"**Original Parcel**" means a Parcel as shown on **Attachment 1**.

"**Parcel**" means any County Assessor's Parcel in the CFD based on the equalized tax rolls of the County as of the end of each Fiscal Year.

"**Partial Prepayment**" means a Prepayment of twenty-five percent (25%) of the Special Tax obligation for one or more Debt Service Parcels.

"**Partial Prepayment Parcel**" means a Debt Service Parcel which has had twenty-five percent (25%) of its Special Tax obligation satisfied with a Prepayment under Section 7 hereof. Such Parcels shall be liable for a Special Tax Levy based on adjusted Maximum Special Tax Rates as described in Section 5, step 3(a). If one or more Successor Parcels are created through the Subdivision of a Partial Prepayment Parcel, each of these Successor Parcels shall also be Partial Prepayment Parcels..

"**Pay-As-You-Go Obligation**" means the total cash amount each CFD Parcel (as shown on Column (C) of **Attachment 1**) is subject to pay through a series of annual Special Taxes or Prepayment. At any point in time this amount may be lower than shown on Attachment 1 due to payments of Special Taxes and receipt of Reimbursements.

"**Public Parcel**" means any Parcel that is, or is intended to be, publicly owned, as designated in the NCRSP as adopted by the Council, that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets; schools; parks; and public drainageways, landscaping, green-belts, and open space. These Parcels are exempt from the levy of Special Taxes.

"**Prepayment** " means the full or partial payment of Maximum Special Taxes prior to the termination of Special Taxes for the CFD as a whole.

"**PWD**" means the Public Works Director for the City of Roseville or his or her designee.

"**Reimbursements**" means funds coming to the CFD from outside sources for the purpose of paying a share of improvements funded by the CFD through bonds or the Pay-As-You-Go Obligation. Until Cumulative Pay-As-You-Go Collections equal the Total Pay-As-You-Go Obligation, any Reimbursements to the CFD will be used to fund the Subsequent Improvements and will be added to the Cumulative Pay-As-You-Go Collections amount as they are received. Any Reimbursements received after Cumulative Pay-As-You-Go

Collections equal the Total Pay-As You-Go Obligation will be subtracted from the Annual Cost amount for the Fiscal Year following their receipt.

"**Remaining Pay-As-You-Go Factor**" means the percentage calculated as one (1) minus (the Cumulative Pay-As-You-Go Collections divided by the Total Pay-As-You-Go Obligation).

"**Reserve Fund Share**" means the lesser of (i) the reserve requirement on all outstanding bonds, or (ii) the reserve fund balance on all outstanding bonds, multiplied by the Benefit Share for a given Parcel.

"**Special Tax(es)**" mean(s) any tax levy under the Act in the CFD.

"**Special Tax Group**" means a group of parcels that will be responsible for a percentage of the Annual Costs. The percentage share is equal to the total Maximum Special Taxes for a given Special Tax Group divided by the total Maximum Special Taxes for all Special Tax Groups.

"**Subdivision**" means a group of Successor Parcels created from an Original Parcel through the Subdivision Map Act process.

"**Subsequent Improvements**" means the improvements and reimbursements shown on **Attachment 3** in priority funding order. In the event that any of these improvements are required, as determined by the Council, prior to the availability of Special Taxes from the Pay-As-You-Go Obligation, the Finance Director is authorized to reimburse these costs prior to funding higher priority Subsequent Improvements.

"**Subsequent Improvement Parcel**" means a parcel that has not satisfied its entire Pay-As-You-Go Obligation. A Subsequent Improvement Parcel becomes a Debt Service Parcel by retiring its entire Pay-As-You-Go Obligation, when it prepays in accordance with Section 7 or when the Cumulative Pay-As-You-Go Collections equal the Total Pay-As-You-Go Obligation.

"**Successor Parcel**" means a Parcel created by Subdivision, lot line adjustment or parcel map from an Original Parcel.

"**Tax Collection Schedule**" means the document prepared by the City for the County Auditor to use in levying and collecting the Special Taxes each Fiscal Year.

"**Taxable Parcel**" means any Parcel that is not exempt from Special Taxes as defined below.

"**Total Pay-As-You-Go Obligation**" means the total amount of $16,149,354 in Special Taxes to be collected from CFD Parcels to pay for Subsequent Improvements.

3. Determination of Parcels Subject to Special Tax

The Special Tax shall be levied on the owner of record on the County Assessor's records as of March 1 each Fiscal Year based on the land use classification and the Maximum Special Tax assigned to each Parcel by the Finance Director as of June 1 of each Fiscal Year.

The Finance Director shall prepare a list of the Parcels subject to the Special Tax using the records of the County Assessor and the City's own records. The Finance Director shall identify the Taxable Parcels from a list of all Parcels within the CFD using the procedure described below.

1) Exclude all Public Parcels.

However, Taxable Parcels that are acquired by a public agency after the CFD is formed or subsequent final subdivision maps are recorded will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied by the procedure described in Section 7. An exception to this may be made if Public Parcels, such as a school site, are relocated and the previously Public Parcels become Taxable Parcels. This trading of Parcels will be allowed to the extent that there is no net loss in Maximum Special Tax revenue.

2) Exclude all Parcels which have satisfied their full Special Tax obligation through the provisions of Section 7.

3) The remaining Parcels are subject to the Special Tax according to the formula detailed below.

It shall be the burden of the taxpayer to correct any errors in the determination of the Parcels subject to the Special Tax and their Special Tax assignments.

4. Termination of the Special Tax

The Special Tax will be levied for as long as is needed to pay the principal and interest on debt incurred in order to construct the authorized facilities and to construct Subsequent Improvements. However, in no event will the Special Tax be levied beyond the Fiscal Year 2020/21.

When all Annual Costs incurred by the CFD have been paid, the Special Tax shall cease to be levied. The Council shall direct the City Clerk to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. The Notice of Cessation of Special Tax shall additionally identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

5. Assignment of Maximum Special Tax

By July 1 of each Fiscal Year, using the Definitions above, the Finance Director shall cause:

1. Each Parcel to be classified as a Public Parcel or a Taxable Parcel;

2. Each Taxable Parcel to be classified as an Original Parcel, a Successor Parcel, or an Annexation Parcel.

3. Each Taxable Parcel to be classified as a Debt Service Parcel, a Subsequent Improvement Parcel, or a Partial Prepayment Parcel.

The assignment of the Maximum Special Tax to Taxable Parcels is as follows:

a) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax for

Debt Service Parcels, from Column (A) on **Attachment 1**, by 0.75 (seventy-five percent).

b) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1** for when a Parcel becomes a Debt Service Parcel, Column (A) on **Attachment 1**, and when a Parcel is a Subsequent Improvement Parcel, Column (B) on **Attachment 1**.

c) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:

(i) if the Successor Parcel is the result of a single-family residential or individually-owned condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (b) above or (c)(ii) below, by the number of single-family residential lots or condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or condominium Successor Parcel within the Subdivision.

If the Successor Parcel is a Subsequent Improvement Parcel, then the Maximum Special Tax must be calculated for the respective Debt Service Parcel amount, Column (A) on Attachment 1, and Subsequent Improvement Parcel amount, Column (B) on Attachment 1.

(ii) if the Successor Parcel is <u>not</u> the result of a single-family residential or individually-owned condominium parcel Subdivision:

- calculate the percentage of the Successor Parcel's square footage to the total square footage for all Successor Parcels of that Original or Successor Parcel that are Taxable Parcels; then,

- multiply this percentage by the Maximum Special Tax assigned to the previous Original Parcel or Successor Parcel. The result of this calculation is the Maximum Special Tax. If the Successor Parcel is a Subsequent Improvement Parcel, then the Maximum Special Tax must be calculated for the Debt Service Parcel amount and Subsequent Improvement Parcel amount.

d) Annexation Parcel - the Maximum Special Tax for each Annexation Parcel shall be assigned according to the Special Tax rates shown on **Attachment 2** based on the Parcel's land use and the facility improvements from which it benefits as determined by the PWD. The annexing Parcel will be a Subsequent Improvement Parcel unless it prepays its Pay-As-You-Go Obligation or unless the Cumulative Pay-As-You-Go Collections are equal to the total Pay-As-You-Go Obligation. The Pay-As-You-Go Obligation is determined by multiplying the total Pay-As-You-Go Obligation shown on **Attachment 2** by the Remaining Pay-As-You-Go Percentage.

e) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), or (c) above, may be adjusted to reflect a change in original residential units, shown in **Attachment 1**, in the following manner:

1) Calculate the existing Maximum Special Tax per unit by dividing the Maximum Special Tax for the Parcel by the number of units assigned to that Parcel;

2) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the results of the calculation in 1). Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.

3) Subtract the total Maximum Special Tax and the number of units being transferred from step 2) from the Parcel transferring the Maximum Special Tax and the residential units.

4) The revised Maximum Special Taxes may be adjusted further to accommodate a uniform Maximum Special Tax throughout the CFD and subject to the provisions below.

(Note: The previous steps apply to both the Debt Service Parcel amount and the Subsequent Improvement Parcel amount, if the Parcel is a Subsequent Improvement Parcel.)

Such unit or Special Tax transfer will be allowed under the following conditions:

(i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes; and

(ii) all adjustments are agreed to by the affected property owners and the Finance Director.

(iii) For any transfers between Special Tax Groups, the percentage of Maximum Special Tax per group in Attachment 1 will be adjusted accordingly.

f) Conversion of a Public Parcel to a Taxable Parcel - if a parcel designated in the NCRSP as a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax, except as provided in Section 3, step 1) above. The Maximum Special Tax for each such Parcel shall be assigned according to the Special Tax rates shown on Attachment 2 based on the Parcel's land use and the facility improvements from which it benefits as determined by the PWD. The Pay-As-You-Go Obligation shall be calculated as under Section 5, step 3(d) above.

6. Setting the Annual Special Tax Rate

The Special Tax levy for each Parcel will be established annually as follows:

1) Compute the net Annual Costs using the definitions in Section 2; less any amounts paid to the CFD from penalties and interest on delinquencies or Reimbursements (see definition in Section 2 for how Reimbursements are to be applied) and/or prepaid Special Taxes (excluding Prepayment of any Parcel's Pay-As-You-Go Obligation) as

described in Section 7. From this net amount, separateout debt service, Administrative Costs, and Delinquency Coverage. Compute the Delinquency Coverage as a percent of Annual Costs by dividing the Delinquency Coverage amount by the total Annual Costs (to be used in step 4(a) below).

2) Assign a share of the Annual Costs to each Special Tax Group by multiplying the Annual Costs by the percentages given for each Special Tax Group in Attachment 1.

3) For Public Parcels, no Special Tax shall be apportioned or levied, except as noted in Section 3, step (1) above.

4) For each Special Tax Group, determine the Annual Special Tax levy for each parcel as follows:

   a) For each Debt Service Parcel which is a Taxable Parcel, multiply the Maximum Tax, calculated in Section 5 step 3(a), (b), or (c) above, by 91 percent plus the percent for delinquency coverage calculated in step 1 above;

   b) For each Subsequent Improvement Parcel which is a Taxable Parcel, assign the Maximum Special Tax as calculated under Section 5, step 3(a), (b), or (c) above times the following factors:
      - 0.90 in FY 1994/95, unless a 1.0 factor is needed to cover delinquencies;
      - 0.95 in FY 1995/96 unless a 1.0 factor is needed to cover delinquencies;
      - 1.0 in FY 1996/97 and thereafter.

   c) Compute the total Special Tax revenue for all Parcels included under steps 4(a) and (b) above.

   d) Compare the Annual Costs assigned to that Special Tax Group with the Special Tax revenue from step 4(c) above.

      (i) If the Special Tax revenue is less than the Annual Costs assigned to that Special Tax Group, excluding any Pay-As-You-Go amounts for Subsequent Improvements, increase the Special Tax levy a proportional amount on each Debt Service Parcel to just equal the amount of Annual Costs assigned to that Special Tax Group or until the Maximum Special Tax is reached.

      (ii) If the Special Tax revenue is greater than the Annual Costs, excluding any Pay-As-You-Go amounts for Subsequent Improvements, then apply this difference to the Pay-As-You-Go Obligation for the funding of Subsequent Improvements and update the Cumulative Pay-As-You-Go Collection. If the Cumulative Pay-As-You-Go Collections are greater than the total Pay-As-You-Go Obligation, reduce the Special Tax levy on Subsequent Improvement Parcels on a proportional basis until the Cumulative Pay-As-You-Go Obligation just equals the Total Pay-As-You-Go Obligation.

5) Prepare the Tax Collection Schedule for each Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

The City shall make every effort to correctly assign the number of taxable units and calculate the Special Tax for each parcel. It shall be the burden of the taxpayer to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

As development and subdivision of the NCRSP takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD, its Maximum Special Tax, and the authorized Maximum Special Tax on all Parcels within in the CFD available for public inspection. This record shall show the Maximum Special Tax on all Original and Successor Parcels and a brief description of the process of assigning the Special Tax each time a Successor Parcel was created, including any adjustments due to change in use. The record will also indicate whether a Parcel is a Partial Prepayment Parcel, Debt Service Parcel, or Subsequent Improvement Partial.

7. Prepayment of Special Tax Obligation

With a Prepayment, a landowner may satisfy all or a portion of the Special Tax obligation on any given Parcel:

Landowners may permanently satisfy all or part of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- The Parcel is a whole Original Parcel greater than one acre or a group of contiguous Successor Parcels, greater than or equal to ten gross acres, with a common owner. However, if a Successor Parcel larger than ten gross acres is subdivided and a Successor Parcel less than ten acres remains, the smaller Successor Parcel will be allowed to take advantage of the same Prepayment provisions offered to the original Parcel from which it was created.

- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.

- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties on the parcel(s) being prepaid prior to Prepayment.

- Prepayment must first be made on the Pay-As-You-Go Obligations for Subsequent Improvement Parcels in order for that Parcel to become a Debt Service Parcel.

- Prior to the calculation of the Debt Service Parcel Prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment for a Debt Service Parcel.

- The landowner pays a non-refundable fee to the City to calculate the prepayment amount. The fee will be sufficient to pay any City costs in connection with the prepayment calculation including staff time and the City's financial consultant.

- Any prepayment is made by May 1 in order to have the Prepayment reflected in the following Fiscal Year's Special Tax levy.

Subsequent Improvement Parcels

The Prepayment amount for Subsequent Improvement Parcels only applies to the remaining Pay-As-You-Go Obligation for the prepaying Parcel. Additional Prepayment for Debt Service Parcels, once the Pay-As-You-Go Obligation is retired, is described under "Debt Service Parcels" below.

The Prepayment amount for Subsequent Improvement Parcels shall be established by the following calculation:

STEP 1 Determine the remaining Pay-As-You-Go Obligation by multiplying the Remaining Pay-As-You-Go Factor times the Pay-As-You-Go Obligation for the Parcel as shown in **Attachment** 1 or as recalculated for any Successor Parcel.

STEP 2 Determine the Subsequent Improvement Prepayment amount by addition to the product from Step 1 any fees or expenses incurred by the City in connection with the Prepayment calculation, less any non-refundable amounts already paid in connection with the Prepayment request.

Payment of the Prepayment amount initially elected by a property owner for a group of Parcels meeting the Prepayment criteria may be deferred, at the Finance Director's option, until building permit is issued.

Debt Service Parcels

The prepayment amount for Debt Service Parcels shall be the lesser of the amounts determined in the following two calculations:

Option 1

STEP 1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 5 above.

STEP 2: Reduce the Maximum Special Tax by the 10 percent delinquency coverage factor and add back the average annual tax delinquency rate for property in the CFD. The rate added back should represent a Prepayment of 5 years worth of delinquency coverage. This rate should be calculated as the average delinquency rate times 5, divided by the number of years remaining in the bond issue. If no delinquency history has been established for the Special Tax, add back to the annual Special Tax the most recent five-year average annual delinquency rate for secured property taxes in the City as a whole using the above calculation.

The Maximum Special Tax may be reduced still further if all bonds of the CFD have been issued and the future debt service, through the maturity of all outstanding bonds, is known with certainty, except that the tax shall not be reduced below the amount determined necessary to pay Annual Costs.

STEP 3: Calculate the revenue produced by the Maximum Special Tax from the date of prepayment up to and including the last maturity date of outstanding bonds based on the tax determined in Step 2. If all bonds of the CFD have not yet been issued, for the purpose of this calculation the final bond issue of the CFD shall be assumed to mature in 2020, except that this assumed final maturity date may be amended by the City no later than the time of the calculation of the Prepayment.

STEP 4: Calculate the present value of the annual revenue stream determined in Step 3. The present value shall be calculated using that discount rate which, when the payment is invested in actually available approved investments (as specified by the resolution authorizing the issuance of bonds) earning a rate of interest equal to the discount rate, would produce annual revenues equal to the amounts calculated in Step 3. The discount rate may not exceed the bond yield as determined by the Tax Reform Act of 1986, as may be amended.

STEP 5: Determine the amount of a full Prepayment by adding to the present value calculated in Step 4 any fees or expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment. If the landowner had previously elected to execute a full Prepayment, the landowner shall make a payment of the amount so calculated on or before the following May 1.

STEP 6: If the landowner has elected to execute a partial Prepayment, the landowner shall make a payment of the amount calculated in the following manner:

a) subtract any fixed costs (such as the cost of the Prepayment calculation and other fees which do not vary proportionally with the size of the Prepayment) of the Prepayment from the full Prepayment amount calculated in Step 5;
b) multiply the resulting difference from step (a) by 0.25 (twenty-five percent);
c) add the amount of fixed costs from step (a) and the product from step (b) to arrive at the total prepayment amount.

Option 2

STEP 1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 5 above.

STEP 2: Divide the Maximum Special Tax from Step 1 by the Maximum CFD Revenue to arrive at the "Benefit Share".

STEP 3: Determine the Bond Share by multiplying the Benefit Share from Step 2 by the total principal amount of outstanding bonds at the time the prepayment is made.

STEP 4: Determine the Reserve Fund Share associated with the prepayment and reduce the Bond Share calculated in Step 3 by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the lesser of (i) the reserve requirement on all outstanding bonds, or (ii) the reserve fund balance on all outstanding bonds, multiplied by the Benefit Share.

STEP 5: Determine the prepayment amount by adding to the amount calculated in Step 4 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to the call date(s) on the bonds; expenses incurred by the City in connection with the prepayment calculation of the application of the proceeds of the prepayment; and, if necessary, an allowance for the present value of allocated City Administration and any anticipated delinquencies from the date of the prepayment to the call date(s) on the bonds. Determination of bond call dates will be on a first come, first served basis if more than one landowner chooses to prepay under this option.

STEP 6: If the landowner has elected to execute a partial Prepayment, the landowner shall make a payment of the amount calculated in the following manner:

a) subtract any fixed costs (such as the cost of the Prepayment calculation and other fees which do not vary proportionally with the size of the Prepayment) of the Prepayment from the full Prepayment amount calculated in Step 5;
b) multiply the resulting difference from step (a) by 0.25 (twenty-five percent);
c) add the amount of fixed costs from step (a) and the product from step (b) to arrive at the total prepayment amount.

8. Future Annexations or Conversion of Public Parcels

Annexation of Public Parcels may be required if the City Council determines that there is surplus capacity available from the funded improvements to allow additional development. Such annexation may occur as a condition of tentative Subdivision map approval.

If additional properties are annexed into the CFD, or Public Parcels become Taxable Parcels, they shall be subject to the Maximum Special Tax from that time forward, as set forth above and in **Attachment 2**.

Each time this occurs, the Finance Director shall assign these Taxable Parcels to a new Special Tax Group. The additional Special Tax revenue generated from this new Special Tax Group will be added to the total Special Tax revenue produced by the existing Taxable Parcels, and the percentage of Maximum Special Tax shown in Attachment 1 will be recomputed for all Special Tax Groups.

Parcel 38 is designated as BP/Commercial Reserve at the formation of this CFD and is considered an Annexation Parcel for the purposes of assigning Special Taxes in the future. This Parcel will not be taxed until such time that it receives entitlements to develop. If this Original Parcel becomes a group of Successor Parcels, those parcels with entitlements will be subject to the Maximum Special Tax for that Parcel as calculated under Section 5.

9. Administrative Changes

The Finance Director or designee has the authority to make necessary administrative adjustments to the Rate and Method of Apportionment in order to remedy any portions of the Special Tax formula that require clarification.

Any taxpayer who feels that the amount of the Special Tax assigned to a parcel is in error may file a notice with the Finance Director appealing the levy of the Special Tax. The Finance Director will then promptly review the appeal, and if necessary, meet with the applicant. If the Finance Director verifies that the tax should be modified or changed, a recommendation at that time will be made to the City Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

Interpretations may be made by Resolution of the City Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties or any definition applicable to the CFD.

Attachment 1
North Central Roseville Community Facilities District No. 1
Maximum Annual Special Tax Per Original Parcel

Special Tax Group	Tentative Map Parcel # (1)	CFD Taxable Parcel # (2)	Land Use	Residential Unit Assignment	(Column A) Maximum Special Tax Debt Service Parcel (3)	(Column B) Maximum Special Tax Subsequent Improvement Parcel (4)	(Column C) Pay-As-You-Go Obligation (5)	Share of Annual Costs
A		52-A	Residential--Large	71	$99,355	$110,584	$233,494	
			Residential--Small	8	$9,820	$10,930	$23,078	
		53-B	Residential--Large	61	$85,362	$95,009	$200,608	
			Residential--Small	12	$14,730	$16,395	$34,617	
	(Former	54-C	Residential--Large	86	$120,346	$133,946	$282,824	
	NCRSP		Residential--Small	8	$9,820	$10,930	$23,078	
	Parcels 1-8	55-D	Residential--Large	59	$82,563	$91,893	$194,030	
	& 14-16)		Residential--Small	4	$4,910	$5,465	$11,539	
		56-E	Residential--Large	61	$85,362	$95,009	$200,608	
			Residential--Small	12	$14,730	$16,395	$34,617	
	(Former	57-F	Residential--Small	69	$84,699	$94,271	$199,050	
	CFD	58-G	Residential--Small	59	$72,424	$80,608	$170,202	
	Parcels	59-H	Residential--Small	29	$35,598	$39,621	$83,659	
	1-10 &	60-I	Residential--Small	75	$92,064	$102,468	$216,359	
	16-18)	61-J	Residential--Small	27	$33,143	$36,889	$77,889	
		62-K	Residential--Small	68	$83,471	$92,904	$196,165	
		63-L	Residential--Small	61	$74,879	$83,341	$175,972	
		64-M	Residential--Large	39	$54,575	$60,743	$128,257	
			Residential--Small	6	$7,365	$8,197	$17,309	
		65-N	Residential--Large	72	$100,755	$112,141	$236,783	
			Residential--Small	6	$7,365	$8,197	$17,309	
		66-O	Residential--Large	24	$33,585	$37,380	$78,928	
		67-P	Residential--Large	50	$69,968	$77,876	$164,433	
		68-Q	Residential--Large	36	$50,377	$56,071	$118,391	
		69-R	Residential--Small	79	$96,974	$107,933	$227,898	
		70-S	Residential--Large	34	$47,579	$52,956	$111,814	
		71-T	Residential--Large	39	$54,575	$60,743	$128,257	
		72-U	Residential--Large	26	$36,384	$40,495	$85,505	
		73-V	Residential--Large	40	$55,975	$62,301	$131,546	
		74-W	Residential--Large	5	$6,997	$7,788	$16,443	
		75-X	Residential--Large	31	$43,380	$48,283	$101,948	
		76-Y	Residential--Large	19	$26,588	$29,593	$62,484	
		Subtotal Group A		**1,276**	**$1,695,717**	**$1,887,355**	**$3,985,097**	**24.677%**
B	9	11	R-6	38	$46,608	$51,875	$109,533	
	10	12	R-4	20	$22,058	$24,551	$51,838	
	20	19	R-25	876	$242,530	$269,939	$569,968	
	21	20	R-20	304	$84,165	$93,677	$197,797	
	24	23	R-20	343	$94,963	$105,695	$223,173	
	25	24	R-20	320	$88,595	$98,608	$208,208	
	26	25	R-20	223	$61,740	$68,718	$145,095	
	27	26	R-20	174	$48,174	$53,618	$113,214	
	28	27	R-20	72	$19,934	$22,187	$46,846	
	30	29	Commercial		$24,358	$27,111	$57,244	
	31	30	Commercial		$85,652	$95,332	$201,290	
	32	31	Commercial		$76,080	$84,678	$178,796	
	34	33	Highway Commercial		$320,282	$356,479	$752,693	
	35	34	Regional Commercial		$668,521	$744,074	$1,571,088	
	39A & B	38	BP/Comm		$139,437	$155,195	$327,690	
	40	39	BP/Comm		$316,164	$351,895	$743,016	
	41	40	BP/Comm		$22,259	$24,774	$52,310	
	42	41	Business Park		$380,638	$423,656	$894,535	

Attachment 1
North Central Roseville Community Facilities District No. 1
Maximum Annual Special Tax Per Original Parcel

Special Tax Group	Tentative Map Parcel # (1)	CFD Taxable Parcel # (2)	Land Use	Residential Unit Assignment	(Column A) Maximum Special Tax Debt Service Parcel (3)	(Column B) Maximum Special Tax Subsequent Improvement Parcel (4)	(Column C) Pay-As-You-Go Obligation (5)	Share of Annual Costs
	43	42	Business Park		$234,421	$260,914	$550,911	
	44	43	Business Park		$130,610	$145,371	$306,947	
	47	46	Daycare Center		$6,687	$7,443	$15,716	
	48	47	Light Industrial		$386,589	$430,279	$908,521	
	49	48	Light Industrial		$441,534	$491,434	$1,037,648	
		Subtotal Group B		**2,370**	**$3,941,999**	**$4,387,504**	**$9,264,075**	**57.365%**
C	11	13	R-6	20	$18,764	$20,885	$44,098	
	12A	14	R-4	165	$172,599	$192,105	$405,625	
	29	28	R-20	50	$13,454	$14,974	$31,618	
		Subtotal Group C		**235**	**$204,817**	**$227,964**	**$481,340**	**2.981%**
D	13A & B	15	R-5	**90**	**$88,967**	**$99,022**	**$209,081**	**1.295%**
E	15-360-21-0-	(015-360-21-0-	R-1 **(Country Estates)**	**20**	**$18,782**	**$20,905**	**$44,140**	**0.273%**
F	22	21	R-20	340	$90,659	$100,904	$213,056	
	46	45	Business Park		$80,269	$89,341	$188,639	
		Subtotal Group F		**340**	**$170,927**	**$190,245**	**$401,696**	**2.487%**
G	23	22	R-20	92	$27,089	$30,151	$63,663	
	33	32	Commercial		$14,933	$16,620	$35,094	
	36	35	Regional Commercial		$670,496	$746,272	$1,575,729	
	37	36	Commercial		$31,469	$35,026	$73,956	
	45	44	Business Park		$6,588	$7,333	$15,483	
		Subtotal Group G		**92**	**$750,575**	**$835,403**	**$1,763,924**	**10.923%**
H (6)	38	37	BP/Commercial Reserve		**$0**	**$0**	**$0**	**0.000%**
		TOTALS		**4,423**	**$6,871,786**	**$7,648,399**	**$16,149,354**	**100.000%**

(1) Parcel numbers as shown on June 1990 Tentative Map.
(2) Parcel numbers are as designated in the NCR CFD No. 1 Boundary Map. Parcel 51 also shows its Assessor's Parcel Number. Parcels 52-A through 76-Y are the result of a 1992 reparcelization of former CFD parcels 1-10 and 16-18.
(3) Debt Service Parcels are those Parcels that have satisfied their entire Pay-As-You-Go Obligation either through annual Subsequent Improvement Parcel Special Tax payments or through Prepayment as allowed under Section 7. A Parcel is either a Debt Service Parcel or a Subsequent Improvement Parcel. A Debt Service Parcel cannot be re-classified.
(4) Subsequent Improvement Parcels are those parcels that have not fully satisfied their entire Pay-As-You-Go Obligation for that Parcel.
(5) The Total Pay-As-You-Go Obligation is the share of Subsequent Improvements assigned to each Parcel. This obligation must be satisfied through annual Subsequent Improvement Parcel Special Tax payments or Prepayment according to Section 7.
(6) NCRSP Parcel 38 will be subject to the Maximum Special Taxes per Attachment 2 as entitlements to develop are granted

Attachment 2
North Central Roseville Community Facilities District No. 1
Maximum Annual Special Tax by Facility and Land Use
for Annexation Parcels

Facility	Residential (Per Unit) (1)			Commercial/Industrial (Per Acre) (1)				
	R-1 to R-5	R-6 to R-15	R-16 to R-30	Commercial	Regional Commercial	Highway Commercial	Business Park Commercial	Light Industrial
Debt Service Parcel Max. Special Tax								
Special Tax Groups A & B (old Tax Group A)	$1,398	$1,227	$296	$5,893	$6,927	$7,481	$5,984	$4,224
Special Tax Group G (old Tax Group F)	$1,103	$938	$314	$5,695	$6,716	$7,262	$5,786	$4,051
All Other Tax Groups	$1,103	$938	$289	$5,766	$6,788	$7,333	$5,857	$4,123
Subsequent Improvement Max. Special Tax								
Increase in Max. Tax if Parcel is annexed as a Subsequent Improvement Parcel (2)	111.30%	111.30%	111.30%	111.30%	111.30%	111.30%	111.30%	111.30%
Pay-As-You-Go Obligation								
Max. Pay-As-You-Go Obligation (3)	$3,289	$2,885	$651	$14,418	$16,639	$18,149	$15,033	$10,297

(1) Land Uses as specified in the NCRSP
(2) If a Parcel is annexed as a Subsequent Improvement Parcel and the owner does not choose to Prepay the Pay-As-You-Go Obligation, The Maximum Special Tax shall be determined by multiplying the Debt Service Parcel Max. Special Tax by the percentage factor shown here.
(3) Maximum Pay-As-You-Go Obligation may be reduced based on facilities benefiting annexed parcel as determined by the City of Roseville. This amount may be further reduced based on the amount of Pay-As-You-Go Obligation already funded. Amounts shown represent highest pay-as-you-go per unit or acre from existing CFD parcels.

(Note: Any Parcel outside the existing CFD, but within the bounds of the NCR Specific Plan (excluding Urban Reserve) that is determined to benefit from the CFD facilities may be subject to one or all of the above Special Tax Components. Such determination will be made by the City or Roseville.)

Attachment 3
North Central Roseville CFD No. 1
Construction Budget and Funding Priority for
Subsequent Improvements

Item	Cost Bid/Est.	Contingency 14% [1]	City Inspection/Soils	Total Cost
City Priorities				
Granite Payment	$1,300,000	n/a	n/a	$1,300,000
Consultant/Legal Rate & Method	$50,000	$7,000	n/a	$57,000
Median Landscape (ML) Design	$50,000	$7,000	n/a	$57,000
ML Installation - Harding	$75,511	$10,572	$2,690	$88,773
ML Installation - Pl. Grove (remain)	$139,394	$19,515	$4,967	$163,876
ML Installation - Rose. Pkwy - Harding to Pl. Grove (remain)	$157,290	$22,021	$5,604	$184,915
Parcel 91/93 Fencing	$86,100	$12,054	$3,068	$101,222
Park Preserve/91 Sidewalks	$81,648	incl.	$2,909	$84,557
Park Preserve/84 Sidewalks	$32,544	incl.	$1,160	$33,704
Bike paths North of Rose. Pkwy.	$290,304	$40,643	$10,343	$341,290
Remaining Priorities				
Group 1 -- Priority Funding Order				
Engineering - Stand Alone Phase II	$150,000	n/a	n/a	$150,000
Rose. Pkwy - Utilities/Trench	$340,323	$47,645	$12,126	$400,094
Rose. Pkwy - Blue Oaks Waterline	$1,180,331	$165,246	$42,055	$1,387,632
Rose. Pkwy - 2 lanes (Wash. to Pl. Grove)	$700,000	$98,000	$24,941	$822,941
Rose. Pkwy - Median L - Wash. to Pl. Grove	$300,000	$42,000	$10,689	$352,689
Waterline North of Hwy. 65	$746,869	$104,562	$26,611	$878,041
Stanford Ranch Rd.	$285,854	$40,020	$10,185	$336,058
Collector C - Street	$177,485	$24,848	$6,324	$208,657
Collector C - Utilities [2]	$590,000	$82,600	$21,022	$693,622
Collector C - Waterline	$200,000	$28,000	$7,126	$235,126
Detension Basins 49 & 101	$800,000	$112,000	$28,504	$940,504
Pleasant Grove North of Rose. Pkwy - Street	$610,000	$85,400	$21,734	$717,134
Pleasant Grove North of Rose. Pkwy - Utilities [2]	$880,000	$123,200	$31,354	$1,034,554
Pleasant Grove North of Rose. Pkwy - Waterline	$340,000	$47,600	$12,114	$399,714
Group 2 -- Discretionary Funding Order				
Park Parcel 50D	$438,900	n/a	n/a	$438,900
East Park - Street	$350,000	$49,000	$12,470	$411,470
East Park - Utilities [2]	$1,000,000	$140,000	$35,630	$1,175,630
East Park - Waterline	$550,000	$77,000	$19,596	$646,596
Medians Pl. Grove North of Rose. Pkwy.	$106,393	$14,895	$3,791	$125,079
Rose. Pkwy - Waterline East of Harding	$149,218	$20,891	$5,317	$175,425
Rose. Pkwy - East of Harding	$425,627	$59,588	$15,165	$500,380
Rose. Pkwy - Median East of Harding	$50,000	$7,000	$1,781	$58,781
Parcel 93 - Sidewalks	$62,856	incl.	$2,240	$65,096
Parcel 83 & 84 - Sidewalks	$49,104	incl.	$1,750	$50,854
Parcel 82 & 86 - Sidewalks	$14,400	incl.	$513	$14,913
Parcel 91 & 93 Improvements	$152,257	incl.	$5,425	$157,682
Bike paths East of Harding	$200,000	$28,000	$7,126	$235,126
Enhanced Paving	$50,000	$7,000	$1,781	$58,781
Hignway 65 Landscape	$25,000	$3,500	$891	$29,391
NCRSP Share of Fiddyment Sub.	$125,000	n/a	n/a	$125,000
Dry Creek Reimbursement	$318,028	n/a	n/a	$318,028
Water System Reimbursement	$832,000	n/a	n/a	$832,000
TOTAL	**$14,462,436**	**$1,526,798**	**$399,000**	**$16,388,234**
Less Reimbursements [3]				
Waterline North of Hwy. 65 -- NCRSP Urban Reserve Reimbursement	($238,880)			($238,880)
Total Subsequent Improvement Cost				**$16,149,354**

[1] Includes 4% project management, 8% contingency, and 2% staking/misc.
[2] Utilities include joint utility trench, sewer and storm.
[3] Any other reimbursements to the NCR CFD No. 1 will be used to retire the Total Pay-As-You-Go Obligation for Subsequent Improvements. Furthermore, any funds remaining in the NCR CFD No. 1 Acquisition and Construction Fund will be used to fund the Total Pay-As-You-Go Obligation.

APPENDIX B

THE APPRAISAL

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APPRAISAL REPORT OF
LAND HOLDINGS WITHIN
COMMUNITY FACILITIES DISTRICT 01
NORTH CENTRAL ROSEVILLE
CITY OF ROSEVILLE, CALIFORNIA

FOR

CITY OF ROSEVILLE
316 VERNON STREET
ROSEVILLE, CALIFORNIA 95678

BY

BENDER ROSENTHAL
4629 WHITNEY AVENUE, SUITE 5
SACRAMENTO, CALIFORNIA 95821

AS OF

JANUARY 18, 1999

BENDER ROSENTHAL
COMMERCIAL VALUATION AND RIGHT OF WAY SERVICES

March 16, 1999

City of Roseville
316 Vernon Street
Roseville, California 95678

Re: Appraisal Report of
Land Holdings Within
Community Facilities District 01
North Central Roseville Area
Roseville, California

We have completed an appraisal of the properties to be encumbered by the Community Facilities District 01 bonds. Our analyses and valuation conclusions are contained in the attached report.

We have made every effort to prepare this self-contained appraisal report of our complete appraisal in conformance with and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation[1]. Please refer to the Special and General Assumptions and Limiting Conditions contained in the report.

We are pleased to have this opportunity to provide you with professional appraisal services.

BENDER ROSENTHAL

Stephen A. Rosenthal, MAI

Cydney G. Bender, MAI

[1]The Appraisal Institute is a national (USA) organization of professional appraisers that self-regulates its members, and the undersigned is a designated Member of the Appraisal Institute (MAI). A Member must at all times adhere to the Institute's ethics code and standards. The Appraisal Foundation has been tasked by the U. S. Congress to set standards and procedures with which state certified appraisers must comply when appraising any property interest involved in a federally regulated transaction.

4629 Whitney Ave., Suite 5 Sacramento, CA 95821 916-978-4900 Fax 916-978-4904

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EXECUTIVE SUMMARY

Appraised Property Identification. This appraisal involves the valuation of the taxable parcels within North Central Roseville Community Facilities District (CFD) No. 01, Roseville, California. Roseville is located 16 miles northeast of Sacramento and is Placer County's largest city. Sacramento is the state capital and the main city within the California central valley area. The current metropolitan area population is in excess of 1.5 million.

The CFD encompasses 1,225 acres of land, most of which is in the city of Roseville's North Central Specific Plan Area. The specific plan area is generally bound by Washington Boulevard on the west, the Southern Pacific/Union Pacific Railroad tracks paralleling Interstate Highway 80 on the east, Diamond Oaks Boulevard on the south and State Highway 65 Bypass on the north. The CFD area also includes parcels south of Diamond Oaks Boulevard, consisting of 20 units on six acres in the Country Estates development, as well as the existing commercial development known as Stanford Ranch Crossing north of the Highway 65 bypass. The CFD area is located 1 1/2 miles north of downtown Roseville, and is primarily accessed by Highway 65.

The CFD was formed for the purpose of funding approximately $90.125 million of infrastructure including streets and roads, highway overpasses and interchanges, water system improvements, neighborhood parks, lighting and landscaping improvements, sewer facilities, storm drainage facilities, and elementary and middle schools. These bonds encumber individual property parcels, with assessments based on size and land use classification.

The planned physical development of the 1,715 acre North Central Specific Plan area is outlined in Roseville's General Plan 2010 adopted November 18, 1992. The General Plan area is traversed by Highway 65 and contains 2,514 acres. The plan provides for a diverse mix of residential, commercial, office and light industrial uses. Included are regional commercial sites and significant wetland preservation areas. A majority of the North Central Plan area north of Highway 65 had been designated as urban reserve and recently received a separate specific plan designation.

Area Description and Discussion. During the 1990's the master planned community area that more or less comprises the subject property, commonly referred to as "Highland Reserve", languished because of the recession. However, the beginning of the development of the Galleria regional mall within the specific plan area appears to be the catalyst that has precipitated more rapid development of all property types. Vacant land purchased as recently as February 1998 has doubled in value since the regional mall plans and tenant selections were announced. Residential development is rebounding. Approximately 450 residential homes (out of 3,573 dwelling units allowed) have been completed, with most of the remaining land having received entitlements. Commercial, retail and office projects are in great demand. All the necessary infrastructure, roads, utilities, and entitlements that allow development to proceed are in place.

Planned land uses within the North Central Plan area are varied. The land classification with the largest total acreage, other than park/preserve, is residential, constituting 601 acres out of a total of 1,225 gross acres. The regional commercial use utilizes another 200 acres. All land uses in the North Central Specific Plan are outlined in the table below:

Land Use Category	Acres Gross	% of Total Gross Acres	Development Potential in SF or Dwelling Units
Open Space/Recreation	83.60	4.9%	
Park	71.52	4.2%	
Park/Preserve	48.53	2.8%	
Wetlands Preserve	5.60	0.3%	
Lower Watershed	116.83	6.8%	
Residential	601.1	35%	3,486 DU
Commercial	85.69	0.5%	1,048,000 SF
Regional Commercial	200.19	11%	2,095,000 SF
Business Professional/Commercial	105.36	6.1%	
Business Professional	113.16	6.6%	2,506,000 SF
Light Industrial/Industrial	115.51	6.7%	917,000 SF
Day Care Center	1.09	0.1%	
School	34.42	2%	
Fire Station	2.28	0.1%	
Electrical Substation	1.17	0.1%	
Public/Quasi Public	2.28	0.1%	
Corporation yard	1.46	0.1%	
Right of Way	94.12	5.5%	
PG & E	31.54	1.8%	
Residential			3,486 DU
Non-Residential			6,801,000 SF
Total	1,715.45		

Valuation Methodology. The purpose of this appraisal is to form an opinion of the market values of the taxable parcels in the CFD, subject to the *Assumptions and Limiting Conditions and Special Assumptions and Limiting Conditions* later set forth, as of the date of value, January 18, 1999. The function, or intended use, of the report is to assist the city of Roseville with its refinancing of the CFD No. 1 bonds. We have made every effort to prepare this self-contained appraisal report of our complete appraisal in conformance with and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the Uniform

Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation[1]. Please refer to the Special and General Assumptions and Limiting Conditions contained in the report.

The scope of the appraisal involved a) downloading and cataloging data on every existing legal parcel in the CFD; b) inspection of the subject and comparable properties; c) study of the area, community, and neighborhood; d) review of various public records; e) interviews with owners and brokers; f) analyses of all appropriate data to arrive at value conclusions; and g) preparation of this report. Also, past and current real estate market conditions, trends affecting supply and demand, and other economic factors affecting the current and prospective marketability of the respective parcels were investigated and analyzed.

Documents considered include:

- The Official Statement dated May 22, 1991 for the existing CFD, City of Roseville, Community Facilities District No. 1,
- Roseville General Plan 2010,
- North Central Roseville Specific Plan,
- Memoranda dated December 2, 1998, December 11, 1998 and January 27, 1999 prepared by Hausrath Economics Group, and
- Roseville Planning Department Quarterly Development Activity Report, Third Quarter of 1998.

The resulting product is a *Complete Appraisal*, presented in a *Self-contained Report* format. Additional regional data is contained in an addendum to the report.

Generally, all of the properties in the CFD except for existing single family homes and existing commercial structures have been appraised using direct, sales comparison approach analyses. The sales comparison analyses resulted in base value determinations for each property type (commercial, industrial, office, multi-family, and single residential in various development stages) and these values were adjusted and applied to each individual property in these various categories so as to determine a "retail" value for each property. Then, the retail values of those properties in each of those categories not considered to be in immediate demand (i.e., those properties that must be absorbed over future time as projected by Hausrath) were discounted so as to determine bulk values for all properties in each such category. Finally, all of these values, along with the assessed values of the existing single family homes and the existing commercial structures, were summed to derive a value indication for the CFD.

Also, for underwriting purposes, the property values were allocated and arrayed by major ownership position. *However, the reader should be cautioned that these allocations in no way constitute individual value conclusions for individual properties.* The allocations are contained in the Addenda.

[1]The Appraisal Institute is a national (USA) organization of professional appraisers that self-regulates its members, and the undersigned are designated Members of the Appraisal Institute (MAI). A Member must at all times adhere to the Institute's ethics code and standards. The Appraisal Foundation has been tasked by the U.S. Congress to set standards and procedures with which state certified appraisers must comply when appraising any property interest involved in a federally regulated transaction.

Value. The total of the fee simple market values of all parcels, assuming that all CFD improvements have been completed, and subject to special tax and special assessment liens[2] and to the other Special and General Limiting Conditions of this report, as of January 18, 1999, is.

TWO HUNDRED FORTY TWO MILLION DOLLARS
($242,000,000)

The special tax will be applied to an anticipated beginning bond balance of approximately $60 million.

Property Category	Acres	Aggregate Assessed Values	Aggregate Appraised Values	Bulk (Discounted) Values
Residential Improved (About 450 Homes, 2 Multi-family properties)	103.43	$78,899,944		
Commercial Improved (Retail north of Highway 65)	41.50	$35,800,388		
Commercial Unimproved - (Immediate Development)	173.10		$45,912,240 ($265,235/Acre)	
Residential Unimproved (Future Development)	434.69			$65,788,508 ($151,346/Acre)
Commercial Unimproved (Future Development)	380.50			$15,496,577 ($40,727/Acre)
Public/Quasi Public Lands	91.78			
Totals	1,225.11	$114,700,332	$45,912,240	$81,285,085
Grand Total				$241,897,657

Special Assumptions and Limiting Conditions. The appraisers made certain special assumptions, and agreed to certain conditions, when performing this appraisal. They are:

1. The values derived are based on the assumption that all infrastructure to be paid for with bond proceeds -- proceeds from the subject CFD as well as from other, previous improvement districts -- has been completed and is in place. In other words, the values are inclusive of bonds, and subject to special tax and special assessment liens. Other bonds and assessments that affect portions of the subject property include the City of Roseville Elementary and Roseville High School Bonds, a Lighting and Landscaping District, and the Roseville Rocklin Sewer 1915 bond.
2. As agreed, we have used assessed values for valuing those properties that are already improved.

The complete report follows.

[2] An appraisal undertaken to establish value-to-lien ratios values the fee simple estate, subject to special tax and special assessment liens. The fee simple estate represents absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, policy power and escheat. SOURCE: CALIFORNIA DEBT ADVISORY COMMISSION.

I. INTRODUCTION

Purpose of the Appraisal; Property Rights Appraised

This appraisal involves the valuation of the taxable parcels to be included within North Central Roseville Community Facilities District (CFD) No. 01. The total land area within the district is approximately 1,225 gross acres. The purpose of the appraisal is to estimate the fee simple value of the taxable parcels in the CFD, subject to the *Assumptions and Limiting Conditions and Special Assumptions and Limiting Conditions* later set forth, as of January 18, 1999. Only land values have been appraised. For those properties that have already been improved, the assessor's values were added to our other value estimates in order to make a final determination of value.

The special assumptions and limiting conditions include the assumption, for valuation purposes, that the planned CFD improvements, as well as the improvements to be paid for from the proceeds of previous bond issues, have been completed. Similarly, we have assumed that other infrastructure improvements remaining to be completed are completed more or less in accordance with the time lines presented in applicable plans; i.e., they are completed when they are needed to facilitate the various developers' intentions to develop their respective properties.

Function or Use of the Appraisal

The function of the report is to assist the city of Roseville with its refinancing of its CFD improvements. The existing bonds are being defeased, and "Special Tax Refunding Bonds" are being issued to replace them. The continuing Special Tax on the appraised properties will be the security for these refunding bonds. Individual parcels within the district are taxed an amount based on their land use classification and their size. The annual tax amount may vary from year to year over a 30 year term but may not exceed a previously set maximum amount. It is our understanding that Roseville has been levying the maximum amount permitted. Our discounted cash flow anticipates continuance of the maximum tax. If less than the maximum tax is levied, the discounted values derived may increase.

Scope of the Appraisal

The scope of the appraisal involved a) downloading and cataloging data on every existing legal parcel in the CFD; b) inspection of the subject and comparable properties; c) study of the area, community, and neighborhood; d) review of various public records; e) interviews with owners, brokers, city officials and other interested parties; f) analyses of all appropriate data to arrive at value conclusions; and g) preparation of this report. Also, we investigated and analyzed past and current real estate market conditions, trends affecting supply and demand, and other economic factors affecting the current and prospective marketability of the respective parcels. The resulting product is a *Complete Appraisal*, presented in a *Self-contained Report* format.

As an adjunct to the appraisal, Hausrath Economics Group prepared absorption projections for the various property types that exist in North Central Roseville Community Facilities District. These projections, which are a necessary step in the overall valuation of those properties that are not yet

absorbed, are contained in an addendum. The appraisers have reviewed these projections, and incorporate Hausrath's findings and analysis into this valuation.

Subject Property History, and Recent Activity

In November, 1985 the Roseville City Council by resolution amended the Land Use Elements of the General Plan. This provided for the development of Specific Plans for four areas of the city, thereafter called the Northeast, Southeast, North Central (the subject), and Northwest Plan areas. Tentative land use allocations were made, and the General Plan was adopted contingent upon the presentation and approval of Specific Plans and Development Agreements for the subject properties. Simultaneous preparation of Specific Plans permitted combining environmental reviews into a single EIR document.

Most of the land within the subject CFD is located within the North Central Specific Plan area. The CFD is comprised of approximately 1,225 acres. When the original district was formed, there were 52 legal parcels, with approximately 14 ownerships. Since that time, 1,284 legal assessor parcels have been formed, with about 450 parcels now improved with single family residences, and several commercial sites now improved, including Price Club, Toys R Us, McDonalds, and various other retail commercial developments.

An offering of 23 parcels within the Highland Reserve master planned community was auctioned during 1997. It had all entitlements necessary for development. Much of the infrastructure, including the major roadways, had been installed. The existing infrastructure was funded through the Mello Roos bonds sold by the City of Roseville (CFD No. 01). Encumbering bonds at the time of the sale were estimated at $28.254 million. Allowed uses include residential (157.18 acres), commercial (132.11 acres), office (89 acres), and light industrial (105.51 acres). The existing specific plan allows for development of 1,895 dwelling units. The listed price per allowed dwelling unit was $7,738.

The property was marketed as a "sealed bid sale", with an October 22, 1996 bid deadline. Balcor is a Chicago lender that became owner of this property in 1992 when Bass Brothers Development defaulted on the bond payment. Balcor brought the bonds current.

Balcor originally owned approximately 1,250 acres of land within the North Central Specific Plan area in Roseville. This property was all within the development known as Highland Reserve. It included approximately 615 acres of urban reserve zoned land, and the unsold parcels with zoning in the Highland Reserve master planned project (including those described above).

Balcor subsequently entered into a joint venture agreement with Richland Properties, Inc. to develop the 615 acres of urban reserve land (known as Highland Reserve North Specific Plan). Planned development includes 1,258 houses, 742 apartment units, and 150 acres of various commercial uses.

Creekside Center-This 112 acre site has been approved for the 1.4 million-square-foot Creekside Center project. Evergreen Creekside LLC purchased the property in February of 1998 from Alleghany Properties Inc. for an undisclosed price estimated at $18 million to $19 million, or about $3.27 - $3.90 per square foot, inclusive of bonds. Plans have been submitted for a mixed use project including

435,000 square feet of office space and 694,100 square feet of retail. The builders also requested approval for 279 hotel rooms. Donahue Schriber, a Newport Beach shopping center developer, is focusing on the retail aspect of the development first. Construction has commenced on this project.

A 40 acre portion of this property is currently under contract at twice the original purchase price. Although the broker would not disclose the details, the buyer anticipates developing a shopping center.

Galleria at Roseville - This 94.18 acre site (referred to as Parcel 35 in the North Central Roseville Specific Plan) is currently being developed by Urban Retail Roseville LLC. This is the first regional mall development in the last 25 years in the Sacramento area. It is located at the northwest corner of Harding Boulevard and Roseville Parkway (in close proximity to the Creekside Center above). The two level mall will have four major anchors, a cinema, an outdoor plaza, and a total gross leaseable area of 1,120,000 square feet. Anchors include Macy's, Nordstrom, Penney's and Sears. Grading on the project began in August 1998 with completion slated for September 2000. Underground utilities have been completed.

The Fountains - Inter Cal Development (Peter and Paul Bollinger) are developing a 304,000 square foot retail building at the southeast corner of Harding Boulevard and Roseville Parkway. The first phase of the proposal has 86,000 square feet of retail space and 22,000 square feet of restaurant space. The application for entitlements is currently under review.

Parcel 20 - This multifamily 34.43 acre site recently was sold to Fairfield Development Company. The 17.75 dwelling units per acre density limit will accommodate a 600 unit project. According to the seller, Richland Communities Inc., the property sold for $5,500 per unit or $3,300,000 not including bonds. Bonds are reported at $4,000 per unit for an adjusted price of $9,500 per unit.

Parcel 21B - This multifamily 8.66 acre site will accommodate 149 units. According to Stephen Thurtle of Richland Communities, Inc., a contract is currently being negotiated at $7,500 per unit or, including bonds, $11,500 per unit.

Parcel 42B - This 15 acre multifamily parcel will accommodate 300 units. A contract is currently being negotiated at $7,500 per unit or, including bonds, $11,500 per unit.

Lots 17B - Winncrest Homes purchased this 22.06 acre single family property in December of 1996 for $19,785 per lot (including additional rezoning and offsite costs). The property was zoned light industrial when the buyer entered into the contract. It took them about one and one half years to rezone the property, obtain a tentative map approval for 104 single family residential lots and close escrow, after considerable additional cost.

Lots 18A/18B - A local developer (Pappas) purchased 101 lots in July 1997 for a price of $16,700 per paper lot from Roseville Properties Investment Partners, LTD. The lots are currently in escrow for $18,000 per paper lot (bonds are estimated at $113 per lot per year) and are expected to close at the end of January 1999. The average lot size is 5,000 square feet.

Parcel 19 - Cresleigh Homes Corporation purchased this 35 acre parcel in 1996 for $27,300 per lot, including bonds. The property was in escrow for about two years prior to closing due to a required rezoning for single family use. There were 165 lots involved in this transaction.

Parcels 26 and 29 - Kaji Surjit purchased this 13.29 acre property in December 1996 from Roseville Properties Investment Partners, LTD for approximately $20,300 per lot including bonds. There were 56 lots involved in this transaction.

Definitions Used in the Report

Market Value is the most probable price in cash or terms equivalent to cash for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress.[1]

Fee Simple Estate[2] is the absolute ownership of real property unencumbered by any other interest, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

"As Is". The state, condition, or premise in which all existing and known future enhancements, faults, encumbrances, and conditions affecting the property rights being appraised are recognized and taken into account in the valuation process. For instance, the value effect of present or future bond encumbrances, likely extraordinary building costs, etc., would be evaluated. The value is based upon the conditions observed upon the most recent inspection, and as the property physically and legally exists without hypothetical conditions, assumptions, or qualifications. The "as is" condition is usually the state in which a property is available for purchase.

Reasonable Exposure Time[3] is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Retail Value. Retail Value is an estimate of what an end user would pay for a finished property under the conditions requisite to a fair sale.[4] In this appraisal, a property would be considered "finished" if it were in a state where it could be purchased and then developed shortly thereafter. This implies that major infrastructure were in place to the property boundaries, and that at least a large parcel tentative

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[1] *Appraisal Standards for Land-Secured Financings*, California Debt Advisory Commission, 94-6, page 9.

[2] THE APPRAISAL OF REAL ESTATE (Tenth Edition), Appraisal Institute, Chicago, Illinois, 1992, p. 122.

[3] UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE, 1995 Edition, Statement 6.

[4] *Appraisal Standards for Land-Secured Financings,* California Debt Advisory Commission, 94-6, page 9.

map was approved for the property. For example, a parcel that is mapped for 200 single family lots, but upon which no improvements have been installed (i.e., they were "paper" lots), is nevertheless a finished property for purposes of this appraisal.

Bulk Sale Value. Bulk Sale Value is the most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue stress.[5]

Date of Valuation and Date of the Report

The date to which the value estimate applies is January 18, 1999. The date of the report is the date of the letter of transmittal, March 16, 1999.

Special Assumptions and Limiting Conditions

Special Assumptions and Limiting Conditions. The appraisers made certain special assumptions, and agreed to certain conditions, when performing this appraisal. They are:

1. The values derived are based on the assumption that all infrastructure to be paid for with bond proceeds -- proceeds from the subject CFD as well as from other, previous improvement districts -- has been completed and is in place. In other words, the values are inclusive of bonds, and subject to special tax[6] and special assessment liens. Other bonds and assessments that affect portions of the subject property include the City of Roseville Elementary and Roseville High School Bonds, a Lighting and Landscaping District, and the Roseville Rocklin Sewer 1915 bond.

2. As agreed, we have used assessed values for valuing those properties that are already improved.

Additional Matters

1. The appraiser uses the first person singular and plural pronoun forms interchangeably.

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[5] Ibid.

[6] An appraisal undertaken to establish value-to-lien ratios values the fee simple estate, subject to special tax and special assessment liens. The fee simple estate represents absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, policy power and escheat. SOURCE: CALIFORNIA DEBT ADVISORY COMMISSION.

Assumptions and Limiting Conditions

This appraisal report and the value estimates it contains are expressly subject to the following assumptions and/or limiting conditions.

1. Title to the property is marketable.

2. No survey of the property has been made and proposed property lines as they appear on the ground and in plat maps are assumed to be correct.

3. Data, maps, and descriptive data furnished by the client or his representatives are accurate and correct.

4. No responsibility is assumed for matters of law or legal interpretation.

5. No conditions exist that would affect the use and value of the property that are not discoverable through normal, diligent investigation.

6. The valuation is based on information from sources believed reliable, and that such information is correct and accurately reported.

7. The value estimates are made subject to the purpose, date, and definition of value.

8. The report is to be considered in its entirety and use of only a portion will invalidate the appraisal.

9. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of highest and best use.

10. Possession of this report or a copy does not carry with it the right of publication, nor may it be used for any purpose or function other than those stated in the report, nor may it be used by anyone other than the client without the previous written consent of the appraiser and the appraisal firm, and then only with proper qualifications and arrangements, possibly including the payment of an additional fee to the appraisal firm.

11. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. The report is subject to review by duly authorized representatives of the Appraisal Institute. No part of this narrative report may be reproduced by any means nor disseminated to the public in any way without the prior written consent of the appraiser. Dissemination of the Executive Summary in the planned bond underwriting official statement is permitted. Also, the appraisers understand that the appraisal will become public information.

12. The liability of the appraisers, the appraisal firm, and its employees and associates is limited to the client only and to the fee actually received by the appraisal firm. There is no accountability,

obligation, or liability to any third party. If the appraisal report is disseminated to anyone other than the client, the client shall make such party or parties aware of all limiting conditions and assumptions affecting the appraisal assignment. Neither the appraiser nor the appraisal firm are in any way to be responsible for any costs incurred to discover or correct any physical, financial, and/or legal deficiencies of any type present in the subject property.

13. Any person or entity who obtains or reads this report, or a copy, other than the client specified in this report, expressly assumes all risk of damages to himself or third persons arising out of reliance on this report and waives the right to bring any action based on the appraisal, and neither the appraisers nor the firm of Bender Rosenthal shall have any liability to any such person or entity.

14. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described in this report unless prior arrangements have been made.

15. No responsibility is assumed for building permits, zone changes, engineering, or any other services or duty connected with legally utilizing the subject property.

16. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property, except as discussed in the report. The appraiser, however, is not qualified to detect such substances. The presence of such substances as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

17. Portions of the property appraised may be subject to the Americans with Disabilities Act of 1990 (ADA). Title III of this act provides for penalties for discrimination in failing ". . . to remove architectural barriers . . . in existing facilities [unless] an entity can demonstrate that the removal . . . is not readily achievable. . ." Unless otherwise noted in this appraisal, it is assumed that the property appraised is not substantially impacted by this law. However, no detailed compliance review has been undertaken by the appraiser, nor is the appraiser an expert in ADA matters.

18. It is assumed that the various properties would receive competent management and marketing.

AREA MAP

ng 9.00
e Mar 16 12:10 1999
Scale 1:1,000,000 (at center)
20 Miles

20 KM

Major Road	City
Major Highway	County Boundary
Interstate/Limited Access	Population Center
Toll Highway	Land
County Seat	Water
State Capital	River/Canal
Small Town	
Large City	

II. REVIEW OF SACRAMENTO AREA CONDITIONS

The subject properties are located about 20 miles northeast of downtown Sacramento, in the city of Roseville, Placer County, California. The Sacramento Metropolitan Area, including especially the counties of Sacramento, Placer, El Dorado and Yolo, is strategically located with respect to transportation corridors and agricultural production within California's huge Central Valley region. The metropolitan area benefits from being the capital and center of government for the State of California. The state currently has a population exceeding 32 million and a gross domestic product that, if compared to that of other nations, would be among the top ten in the world. According to the U.S. Census Bureau, the Sacramento-Yolo consolidated Metropolitan Statistical Area (CMSA) population is in excess of 1.563 million; this is approximately 5 percent of California's total population.

The area's population is well educated, relatively young, and used to working at wage scales that are below those found in the larger, coastal cities. Local employment, which is very dependent on government (30+ percent of jobs, 60+ percent of economic base), was adversely impacted by the national recession and California depression of the early 1990s, but less so than many other metropolitan areas of California. Now that national, regional and local economic conditions are again robust and continue to improve, the Sacramento region is experiencing vigorous job growth and economic activity, but not quite to the extent that is being reported for some other areas of California, most notably the San Francisco and Orange County areas. In fact, these areas are reporting incredibly low unemployment rates, and labor shortages in some fields.

UNEMPLOYMENT SUMMARY	
AREA:	RATE:
United States (December, 1998)	4.0%
California (December, 1998)	5.4%
Sacramento MSA (December, 1998)	**4.0%**
Vallejo-Fairfield-Napa MSA (December, 1998)	4.5%
San Francisco MSA (December, 1998)	2.3%
San Jose MSA (December, 1998)	3.0%
San Diego MSA (December, 1998)	3.0%
Orange County MSA (December, 1998)	2.4%
Yolo PMSA (Yolo County) (December, 1998)	5.5%
Source: California EDD	

The total number of jobs in the local economy was restored to pre-recession levels in early 1995, and job growth has continued steadily since then. Over the last twelve months, Sacramento area payrolls expanded in most major industries, but the rapidly growing services industry experienced the largest gain, accounting for over 50% of the 14,800 jobs added between December 1997 and December 1998. The construction industry experienced a 2,700-job increase. Smaller increases occurred in other sectors. The manufacturing sector actually experienced a decline of 900 jobs over the past year due to cutbacks in the computer manufacturing. Sacramento's growing reputation as a technology center was significantly enhanced by Oracle's announcement in late 1996 that they would build a major facility in the suburban Sacramento community of Rocklin. The first phase of that project is now complete. Oracle joins Hewlett-Packard Co., Intel Corp., Packard Bell NEC, Apple Computer, JVC and NEC Electronics as technology companies with major facilities in the area. While the local technology base is small compared to that of the Silicon Valley, it is comparable to that existing in some other cities with

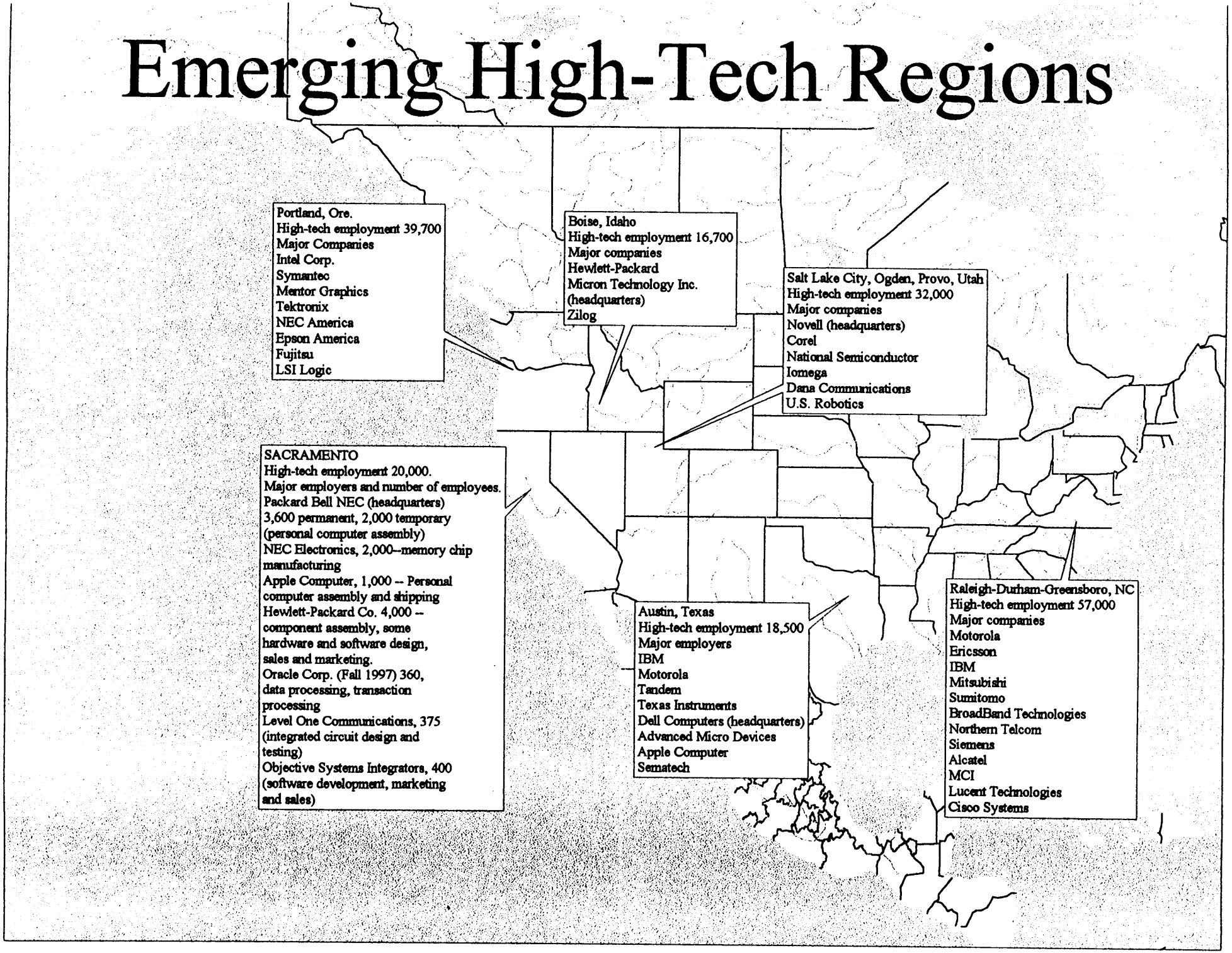
reputations for growing technology industries, such as Austin, Texas, for example (see graphic, next page). High-tech manufacturing is not a panacea for Sacramento, however, as it has constituted only 6% of job growth over the past year, about the same as retail trade.

One local employment negative on the horizon is the pending closure of McClellan Air Force Base, currently an employer of over 10,000 persons. Although efforts are being made to retain some of these jobs under a civilian structure, most of them are likely to be phased out over the next three to five years.

The McClellan situation notwithstanding, the area's overall desirability as a place to live and work should positively impact the local economy and real estate values in the long run. Even commercial land values in the immediate McClellan vicinity have been increasing recently. We believe that properties of recognized quality in higher demand areas will experience renewed value appreciation during the remainder of the decade, but that property values in lower demand areas will languish.

A more detailed description of the region is contained in the Addenda.

Emerging High-Tech Regions



III. DESCRIPTION OF THE ROSEVILLE AREA AND THE CFD AREA

General Description. The City of Roseville is located in the south Placer County area of the Sacramento metropolitan region, along the eastern portion of the Highway 65 corridor, as shown on maps contained later in this section. It is situated approximately 20 miles northeast of downtown Sacramento, and is one of five cities in south Placer County. Roseville consists of about 29 square miles and has a population of 66,901 (as of 1997), a 5% increase from the previous year. The city provides full urban services including sewer, water, police and fire protection, street maintenance, and street lighting.

In recent years Roseville has become a major business and residential center in the Sacramento region. Interstate 80 provides easy access to Sacramento and the San Francisco Bay Area and the Pacific Coast on the west, and the Sierra Nevada Mountains and Lake Tahoe to the east.

Roseville maintains high standards for public services and facilities, such as parks, which are more numerous in the city than in other areas in the region. All new neighborhoods have landscape corridors and design standards that contribute to the quality of the area. Most of the schools are new, and they are designed to accommodate growth. The Roseville Automall, one of the world's largest auto malls is developed on 90 acres with 14 dealerships. As a result of the auto mall's success, Roseville's tax revenue is 200 percent more than the state average; the mall sales taxes represent 42% of Roseville's sales total tax revenue.

In addition to Roseville, the south Placer County area includes the cities of Rocklin, Lincoln, Loomis, and Auburn. This area emerged during the late 1980s as one of the most active suburban growth areas in the Sacramento region. Although Rocklin has generally been the most rapidly growing community in South Placer County in recent years, Roseville is the dominant community in this area and is the focal point for residential, commercial, and industrial activity in this area.

Roseville, Rocklin, and Lincoln form a triangle that is the heart of the South Placer area. These cities are growing and expanding toward each other to form one large urban community. Their spheres of influence or recently annexed areas now encompass almost all of the southwest portion of the county, including the area north of Roseville on the west side of Highway 65; the northwest side of Rocklin to Highway 65 on the west; and a vast land area south of Lincoln to the northern boundaries of Roseville and Rocklin.

Population and Growth Trends. The populations of Roseville, Rocklin, and Lincoln are shown in the following table. These areas are growing at a faster pace than the total populations of Placer County, Sacramento County, and the State of California. Rocklin has been the fastest growing area in Placer County over the past fourteen years, followed by Roseville.

POPULATION GROWTH 1981, 1998[6]			
AREA	1981	1998	(% Increase from 1981)
Roseville	25,300	66,900	164.4%
Rocklin	7,500	29,250	290.0%
Lincoln	4,230	8,250	95%
Placer County	121,200	217,900	79.8%
Sacramento County	797,700	1,159,800	45.4%
State of California	24,013,200	33,252,000	38.5%

Placer County is growing faster than the Sacramento metropolitan area and California as a whole. In 1997, the county's population was 209,700, 21% higher than in 1990. Officials project the population will grow to 286,100 by 2005. The combined population of Roseville and Rocklin is expected to increase to approximately 173,100 by the year 2015, a 100% increase.

In comparison, the population of greater Sacramento grew by 15 percent between 1990 to 1997 and is projected to grow another 19 percent by 2005. California, which grew by 9 percent between 1990 and 1997, is projected to grow another 12 percent by 2005.

The following table summarizes Roseville's anticipated population and job growth:

	Population	Employment
1990	44,685	28,349
1995	56,500	39,234
1997	63,479	43,262
1998	66,901	688
2000 (Estimate)	73,814	49,304
Change 1990-1997	18,015	19,913
Percent Change 90-98	49.7%	2.6%

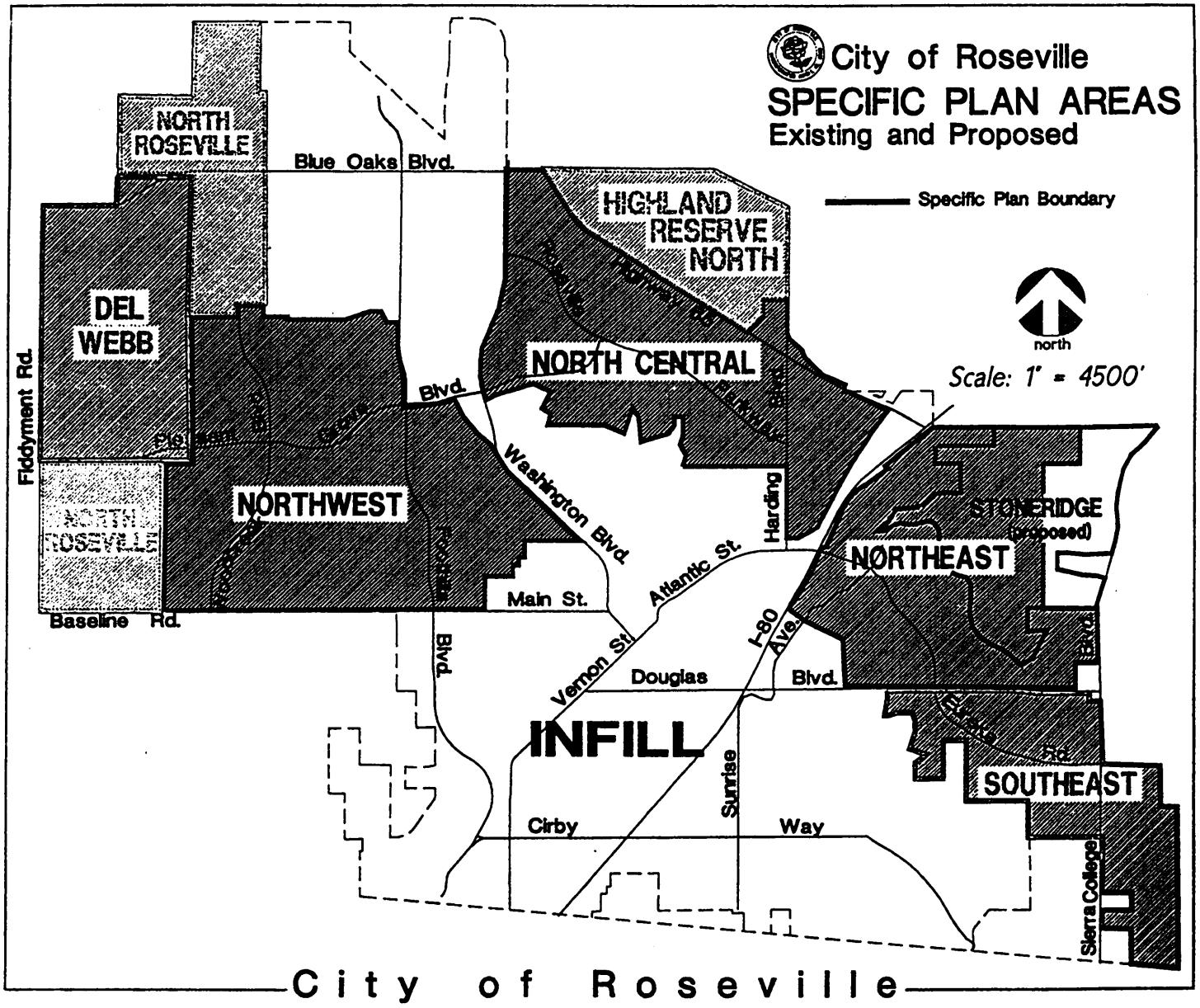
Source: California Department of Finance 1997, Sacramento Area Council of Governments

[6]POPULATION ESTIMATES FOR CALIFORNIA CITIES AND COUNTIES, JANUARY 1, 1999, Department of Finance, State of California.

Employment and Development Activity. The South Placer area has emerged as one of the leading manufacturing and industrial areas in the Sacramento region because of:

- The abundance of large tracts of industrial zoned land;
- The availability of water, sewer, and other infrastructure improvements;
- The reasonable tax base;
- The area's proximity to Interstate 80 and the 1987 opening of the Highway 65 bypass connecting Interstate 80 with the industrial areas to the north.

COMMUNITY MAP - SOUTH PLACER COUNTY



Six of the twenty-five largest Sacramento area manufacturing firms are located in the south Placer area. These are listed in the table below.

LARGEST SACRAMENTO AREA MANUFACTURERS IN SOUTH PLACER COUNTY*

RANKING	NAME/LOCATION	NO. OF FULL-TIME EMPLOYEES	PRODUCTS	YEAR EST. IN AREA
1	Hewlett-Packard Co., Roseville	5,400	Computer-related equipment	1979
4	Pride Industries, Roseville	2,100	Electronic cables, electro-mechanical and circuit board assemblies, wood pallets and crates, rubber stamps, plaques, and advertising specialties	1983
5	NEC Electronics Inc., Roseville	2,050	Semiconductor devices	1983
11	Sierra Pacific Industrial	470	Lumber and a congregate care facility in Lincoln	1991
15	Formica Corp., Rocklin	400	Formica brand high-pressure decorative laminate	1965
17	Herman Miller, Inc., Rocklin	378	Open office systems furniture for office and healthcare environments	1989
Total		10,798		

* Business Journal, January 3, 1998.

These 10,798 employees represent approximately 36% of the total employed by the 25 largest Sacramento area manufacturers. Other major employers in Roseville are shown in the table below.

ADDITIONAL PRIVATE SECTOR EMPLOYERS

COMPANY	NO. OF FULL-TIME EMPLOYEES
Hewlett-Packard	5,400
NEC Electronics Inc.	2,050
Pride Industries	2,100
Sutter Roseville Medical Center	1,200
Union Pacific Railroad	1,040
Kaiser Permanente	891
Roseville Communications	524
Excel Logistics North America	200
PASCO Scientific	170

*City of Roseville Community Economic Profile, January 1999, and other sources.

The following table shows the city's employment by sector.

Sector	Employment	Percent
Services	15,460	35.7%
Wholesale/Retail	12,070	27.9%
Durable Manufacturing	7,320	16.9%
Finance, Insurance & Real Estate	2,970	6.9%
Construction	2,340	5.4%
Government	1,430	3.3%
Transportation	1,030	2.4%
Agriculture	430	1.0%
Non-Durable Manufacturing	200	0.5%
Total	43,250	100%

Source: Sacramento Area Council of Governments, California Employment Development Department, Labor Market Division

South Placer County's share of Sacramento area manufacturing employees is likely to continue to increase as facilities for some of the previously mentioned firms, and other firms shown in the table below, come on line.

MAJOR INDUSTRIAL, MANUFACTURING, AND HIGH-TECH DEVELOPMENT ACTIVITY AND EXPANSION				
NO.	NAME/LOCATION	ACREAGE OWNED	YEAR PURCHASED	REMARKS
1	Hewlett-Packard The Foothills, Roseville	500	1979	1.3 million square feet of buildings, on approximately 200 acres housing most of its 4,000 South Placer County employees; the largest employer in Placer County. Proposed expansion to 4.25 million square feet to accommodate up to 13,800 employees during the next 20 to 25 years. HP estimates that approximately 3 million square feet, or 70% of the site, will be developed by the year 2010.
2	NEC Electronics The Foothills, Roseville	154.4	1982, 1989, and 1994	741,300 SF of buildings including a semiconductor chip manufacturing plant, and a chip fabrication addition, for a total investment of over $1 billion. There are currently 2,050 employed at this facility. There are plans for a $1.1 billion expansion totaling 750,000 square feet of new buildings on 80-acres north of the existing facilities.
3	Herman Miller Stanford Ranch, Rocklin	156	1985	Phase I (335,210 SF) of a proposed 750,000 square foot facility is completed and employs 360 people in this western regional furniture manufacturing and distribution facility.
4	Ace Hardware Stanford Ranch, Rocklin	27	1987	A 484,000 square foot West Coast distribution center is completed and employs approximately 196 people. It is the largest distribution facility in Ace's nationwide system and supplies 480 Ace Hardware stores in the western United States.
5	H.B. Fuller The Foothills, Roseville	40	1987	A 71,300 square foot $10 million industrial adhesives manufacturing plant is completed. This facility is a consolidation of three other smaller West Coast operations.
6	Latham Lumber The Foothills, Roseville	28.3	1987	A 42,000 square foot retail, office, and industrial building is completed and includes large exterior storage areas. Atlantic Door and Country Homes are located in this facility with Latham Lumber.
7	3M Olympus Point, Roseville	140	1988	A proposed 2.8 million square foot R&D facility is planned and could employ up to 5,000. No timetable has been announced yet for this facility, which would be their West Coast headquarters. However, there are indications that 3M may not follow through with these plans.
8	Albertson's Inc. The Foothills, Roseville	63	1988	A 328,715 square foot distribution warehouse is completed. There are 150 employees at this facility. Approval has been granted for additional expansion (Phase II), a 122,000 SF cold storage facility.
9	Pasco Scientific Foothills Business Center, Roseville	10.7	1988	A 42,800 square foot manufacturing, warehouse, and office building is completed. This company relocated from Hayward and employs about 50 people. The company is now seeking City of Roseville approval for Phase II, a 45,090 square foot expansion that will include manufacturing/warehouse space with support offices and core service areas. Construction is expected to begin in the summer 1994.
10	Wells Fargo Bank Stanford Ranch, Rocklin	126.8	1990	A two million square foot business center facility is planned for this site. The bank originally expected to grow to 1,000 employees in five years and 3,000 employees when the project is finished over a 10-year period from start of construction..
11	The Gap Stanford Ranch, Rocklin	6.9	1990	A 40,000 square foot data processing center is completed on this site.
12	Oracle Rocklin	35	1997	Constructed a 100,000 SF data processing center with 360 employees.
Total		1,288.1		

In addition to the direct industrial development shown in the preceding table, major real estate developers from the Sacramento region, other parts of California, and the western United States gained control of thousands of acres of what was thought to be prime, near-term development land in the Roseville-Rocklin-Lincoln/Highway 65 corridor area of South Placer County during the late 1980s. Some of these developers have planned and are now developing large industrial, residential, and commercial projects in this area. Others have yet to begin. A list of some of the largest developers and development projects is shown in table below.

MAJOR DEVELOPERS OF LARGE ACREAGE: ROSEVILLE-ROCKLIN-LINCOLN/HIGHWAY 65 CORRIDOR			
	DEVELOPER/TYPE OF PROJECT	PROJECT NAME/ IDENTIFICATION/LOCATION	SIZE/ ACRES
1	STANFORD RANCH/ MORGAN STANLEY & CO. Industrial	The Foothills/Foothills Business Center - North Roseville Industrial Area, Roseville	259
2	DEL WEBB CORP. An under-construction Adult Residential Retirement Community	Sun City - Roseville, North Roseville. This projected opened in May 1994 with approximately 3,100 units sold to date.	1,200
3	LIVE OAK ENTERPRISES/CALPERS Planned Residential Golf Course Community	Whitney Oaks, formerly Stanford Oaks, Portion of 3,500-Acre Stanford Ranch Planned Community - Rocklin	1,062
4	BALCOR/RICHLAND PROPERTIES INC.* Mixed-use: Residential, Industrial, Commercial, and Urban Reserve	Highland Reserve - Most of North Central Specific Plan Area, Roseville	**1,948
	* BALCOR sold a joint venture interest in the northern 615 acres to Richland Properties Inc. on May 29, 1996 ** Approximately 330 acres was subsequently sold to mostly residential developers.		
5	JMC Planned Residential	Formerly California Centre Roseville - North Roseville Industrial Area, Roseville	140
6	THE SARES COMPANY Residential, Golf Course, Some Commercial	Woodcreek Oaks - Large portion of the Northwest Specific Plan Area, Roseville	*1,100
	* Approximately 350 acres was subsequently sold to residential developers, and about 200 acres is being developed with a public golf course.		
7	ELLIOTT HOMES Residential	The Foothills - Large portion of Northwest Specific Plan Area, Roseville	800
8	ALLEGHANY PROPERTIES, INC Commercial	Gateway Center - Portion of North Central Specific Plan Area, Roseville	158
9	ELLIOTT HOMES Residential	Cavitt Ranch - Roseville, Rocklin, Unincorporated Sacramento County at Sierra College Boulevard	921
10	BUZZ OATES Industrial, Residential, Golf Course	Lincoln Airpark (Portion) - Lincoln	704
11	FERRARI RANCH Residential -- with lake	Ferrari Ranch, Southeast Lincoln - Sphere of Influence of Lincoln; Sold to Del Webb	416

MAJOR DEVELOPERS OF LARGE ACREAGE: ROSEVILLE-ROCKLIN-LINCOLN/HIGHWAY 65 CORRIDOR		
DEVELOPER/TYPE OF PROJECT	PROJECT NAME/ IDENTIFICATION/LOCATION	SIZE/ ACRES
12 CSY INVESTMENTS Mixed Use -- mostly Residential	Lincoln Crossing (formerly Rancho Ganadero) and Eastpark - Sphere of Influence of Lincoln	1,147
13 UNKNOWN Mixed Use	Orchard Creek - Sphere of Influence of Lincoln	1,095
14 STANFORD RANCH, INC. Planned Residential Community	Stanford Ranch West - Sunset Industrial Area	2,758
15 DOMINION ENTERPRISES INC. /BUZZ OATES, ET AL Planned High-End Residential	Clover Valley Lakes - Rocklin Sphere of Influence; Annexed to Rocklin by Buzz Oates; 642 acres planned for 974 homes.	622
16 TERRAQUEST Industrial Business Park	Placer Corporate Center - Sunset Industrial Area	106
17 PLACER HOLDINGS, INC. (YEUNG FAMILY) Residential	Eastridge/Placer Ranch - Sphere of Influence of Lincoln	401
18 PLACER HOLDINGS, INC. Residential	Twelve Bridges/Placer Ranch - Sphere of Influence of Lincoln	4,600
19 WHITNEY OAKS/STANFORD OAKS Residential	Park Drive @ Stanford Road Rocklin	1,060
20 BICKFORD RANCH	Sierra College Boulevard at Highway 193 Influence of Lincoln	1,950
21 HIGHLAND RESERVE NORTH Commercial	North of Highway 65; 1,770 homes and about 1.8 million square feet of commercial proposed by Richland Properties	615
Total:		23,062

Circulation System and Major Planning Areas. The completion of the Highway 65 Bypass in 1987 accelerated growth in the South Placer area. No transportation system in the Sacramento region in recent years has had or likely will have more of an impact on growth than this highway. The bypass provides direct access from Interstate 80 to the thousands of acres of development land to the north and northwest. The areas served by the bypass include, among others, the following major development tracts:

- The North Roseville and Sunset Industrial areas -- 6,000 acres;
- The Northwest Plan area of Roseville -- 2,648 acres;
- The North Central Plan area of Roseville -- 2,331 acres;

- Stanford Ranch in Rocklin -- 3,500 acres;
- The Northwest Rocklin Plan area -- 2,800 acres;
- The Lincoln Airpark in Lincoln -- 900 acres; and
- Lincoln Sphere of Influence (Southeast and Southern) (Eastlake, Eastridge, Lincoln Crossing, and Eastpark) -- 2,214 acres.

The 9,144-acre Dry Creek West Placer Community Plan area is also included in the South Placer County area. However, about half of this area is designated to remain in agricultural use, and most of the remainder is designated for low-density residential use.

The Highway 65 Bypass is 3.7 miles long and crosses the 2,371-acre North Central Plan area of Roseville in a northwest/southeast direction. The Harding Boulevard/Stanford Ranch Road freeway interchange was completed in 1989; and Harding Boulevard was recently extended from the south to connect with this interchange. As the previously mentioned areas are developed, three additional freeway interchanges will be required; they are listed as follows from southeast to northwest:

- Pleasant Grove Boulevard; (are scheduled to begin construction in June)
- Blue Oaks Boulevard; and (are scheduled to begin construction in June)
- Placer/Sunset Boulevard (will be constructed when there is sufficient demand currently slated for the year 2010).

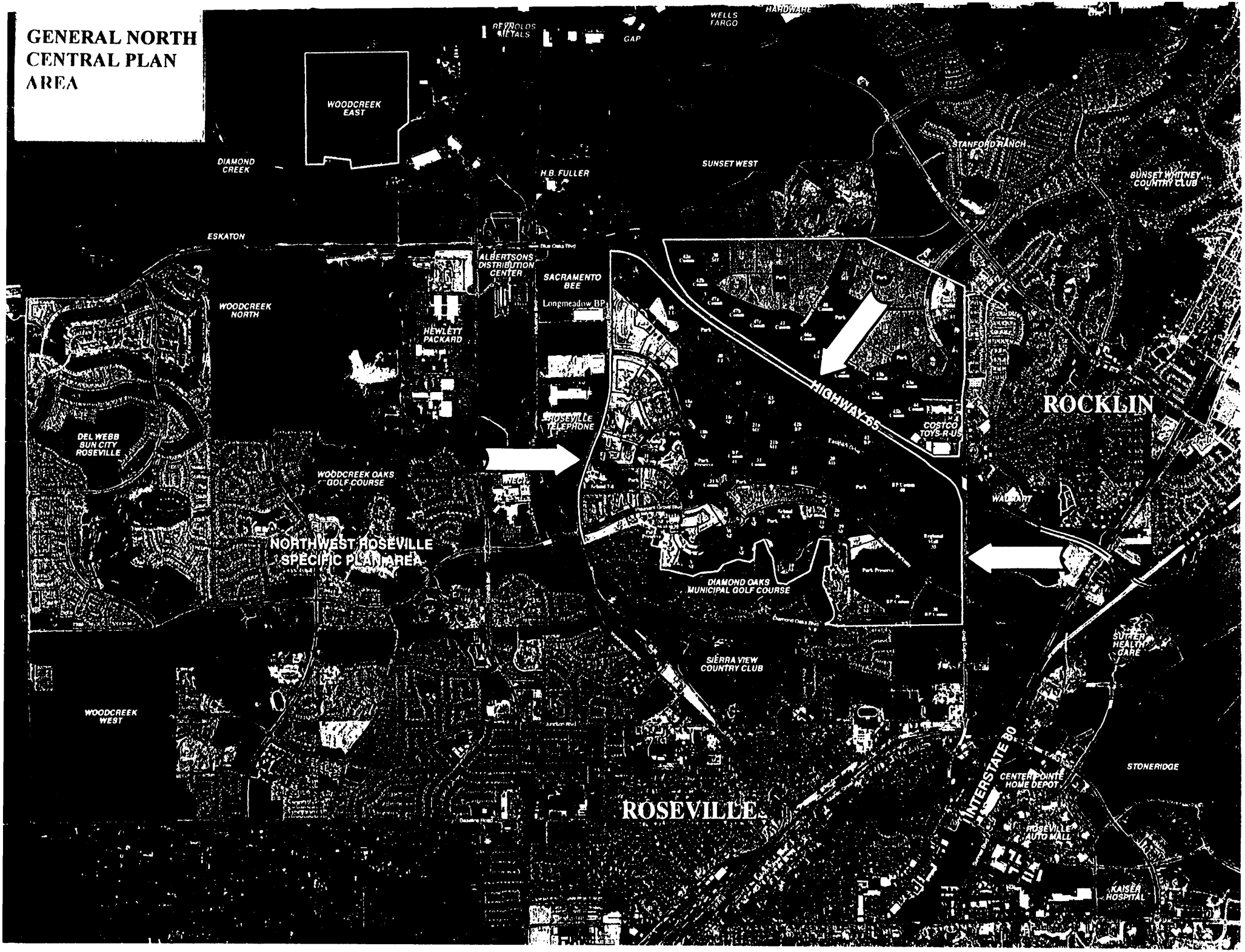
The installation of these interchanges will positively impact development in the area. Below is a list the City of Roseville's Public Works Department expected roadway improvements through the year 2001.

1999	Roseville Parkway/ I-80 Overcrossing East Roseville Parkway from Rocky Ridge to Sunrise
2000	East Roseville Parkway from Rocky Ridge to Sunrise Pleasant Grove/Highway 65 Interchange (*within the subject's area*)
2001	Pleasant Grove/Highway 65 Interchange

One of the primary reasons the Roseville/Rocklin/Lincoln area is at the forefront of growth in the Sacramento region is its favorable planned growth environment and the quality and thoroughness of its land planning process. The process in these three cities are guided by specific plans - comprehensive documents that spell out not only where growth will occur and at what density, but also how it can be accommodated with the least negative impact on the city. The plans specify designs, detail roadways and facilities, and provide for their funding and phasing.

Description of CFD. As shown by the map on the next page, the general neighborhood, which includes the subject property, includes the North Central Specific Plan Area, and the Highland Reserve North Specific Plan. Essentially, these areas comprise all of Roseville located on the west side of Interstate 80. The subject property is in the North Central Specific Plan area.

GENERAL NORTH CENTRAL PLAN AREA



Separated from the subject CFD area by Highway 65 bypass, the recently formed Highland Reserve North Specific Plan Area was adopted in May of 1997. Of the total acreage, 304 acres are designated for residential development and 212 acres designated for non-residential uses. This area is mostly undeveloped and unentitled vacant land. It has excellent major freeway visibility and access, primarily from the Highway 65 bypass. Its proximity to the Galleria Regional Mall, (to be located southeast in the North Central Specific Plan), coupled with the existing retail development provide good access to retail services.

The North Central Roseville Specific Plan area is generally situated between Interstate 80 and Washington Boulevard, north of the Diamond Oaks Golf Course. The plan was adopted in July 1990, with the major freeway access provided by Highway 65. The area encompasses 1,715 acres. The projected population at total build out is 15,633. The plan area contains a significant residential component (601 acres), open space (326 acres) and a regional mall site.

The following table outlines the specific plan uses with the North Central Specific Plan area.

Land Use Category	Acres Gross	% of Total Gross Acres
Open Space/Recreation	83.60	4.9%
Park	71.52	4.2%
Park/Preserve	48.53	2.8%
Wetlands Preserve	5.60	0.3%
Lower Watershed	116.83	6.8%
Residential	601.1	35%
Commercial	85.69	0.5%
Regional Commercial	200.19	11%
Business Professional/Commercial	105.36	6.1%
Business Professional	113.16	6.6%
Light Industrial/Industrial	115.51	6.7%
Day Care Center	1.09	0.1%
School	34.42	2%
Fire Station	2.28	0.1%
Electrical Substation	1.17	0.1%
Public/Quasi Public	2.28	0.1%
Corporation yard	1.46	0.1%
Right of Way	94.12	5.5%
PG & E	31.54	1.8%
Total	1,715.45	

Residential and commercial development in this area has lagged behind other areas of Roseville. With the announcement of the regional mall, market interest in commercial projects, residential development, and in other types of development has been strengthened. The following table summarizes construction activity for residential and non-residential land uses through June 30, 1998, the most recent statistics available.

Residential Land Uses - Through June 30, 1998

		Stage 2		Vacant Lots	Stage 3	Stage 4	
Land Use	Total Units	Total Units	Total Acres		Under Construction Units	Developed Units	Acres
Single Family	2,266	2,254	529.20	1,440	229	585	134.82
Multi Family	1,307	572	29.8	0	336	0 0.00	
Total	3,573	2,826	559	1,440	565	585	134.82

Non-Residential Land Use - Through June 30, 1998

	Total Acres	Stage 2		Stage 3		Stage 4	
		Square Feet	Acres	Square Feet	Acres	Square Feet	Acres
Commercial	286	1,511,255	137.4	1,104,000	94.18	383,781	39.47
Business-Professional	218	0	0	0	0	0	0
Industrial	115	0	0	0	0	0	0
Daycare	1.09	0	0	0	0	0	0
Total	621	1,511,255	137	1,104,000	94.18	383,781	39.47

Source: City of Roseville Planning Department, Quarterly Development Activity Report, Third Quarter of 1998
Non-residential projects are listed by activity states. Stage 1 means a project application is being processed; Stage 2 means it has been approved but is not yet under construction and Stage 3 means it is under construction (building permit has been issued) or in the case of residential, a subdivision has been approved for Final Map.

Since the specific plan's adoption in July of 1990, 814 residential units have been developed or are currently under construction. This equates to only 101 units per year, and reflects the area's slow start. There was no commercial development prior to the announcement of the regional mall. The paragraphs below describe the proposed regional mall, as well as two additional commercial projects currently under construction. These projects emphasize the existing demand for properties as a result of the regional mall.

Galleria at Roseville - This 94.18 acre site (referred to as Parcel 35 in the North Central Roseville Specific Plan) is currently being developed by Urban Retail Roseville LLC. This is the first regional mall development in the last 15 years in the Sacramento area. It is located at the northwest corner of

Harding Boulevard and Roseville Parkway (in close proximity to the Creekside Center above). The two level mall will have four major anchors, a cinema, an outdoor plaza, and a total gross leaseable area of 1,120,000 square feet. Anchors include Macy's Nordstrom, Penney's and Sears. Grading on the project began in August 1998 with completion slated for September 2000. Underground utilities have been completed.

Creekside Center-This 112 acre site has been approved for the 1.4 million-square-foot Creekside Center project. Evergreen Creekside LLC purchased the property in February of 1998 from Alleghany Properties Inc. for an undisclosed price estimated at $18,000,000 to $19,000,000 about ($3.270 - $3.90 per square foot, inclusive of bonds). Plans have been submitted for a mixed use project including 435,000 square feet of office space and 694,100 square feet of retail. The builders also requested approval for 279 hotel rooms. Donahue Schriber, a Newport Beach shopping enter developer, is focusing on the retail aspect of the development first. Construction has commenced on this project.

A 40 acre portion of this property is currently under contract at twice the original purchase price. Although the broker would not disclose the details, the buyer anticipates developing a shopping center.

The Fountains– Inter Cal Development (Peter and Paul Bollinger) are developing a 304,000 square foot retail building at the southeast corner of Harding Boulevard and Roseville Parkway. The first phase of the proposal has 86,000 square feet of retail space and 22,000 square feet of restaurant space. The application for entitlements is currently being reviewed.

General North Central Specific Plan Area Characteristics

Utilities. The concluded land values are predicated on the assumption that all utilities necessary for development will be available in time to support construction. These include water, electricity, gas, sewer, telephone and storm drainage. Public utilities available to serve the District are as follows:

Electricity:	City of Roseville Electrical Utility Department
Natural Gas:	Pacific Gas & Electric Company
Telephone Service:	Roseville Telephone
Water:	Placer County Water Agency
Wastewater:	City of Roseville

Seismic Conditions. According to the State of California Seismic Safety Commission, Sacramento County is located in Zone 3. Zone 3 is a medium risk area common to the Sacramento area. The State of California falls into zones 3 and 4. Zone 4 is a high risk area which is located along the western edge of the state and includes the San Francisco Bay Area.

There are no Alquist-Priolo Special Studies Zones in the Sacramento area, as defined in Special Publication 42 issued by the California Department of Conservation, Division of Mines and Geology. No active faults are located under or near the property; however, strong earthquakes generated along any of the active California faults may affect the sites, depending on the magnitude of the quake and

the location of the epicenter. In general, the effects are confined to shaking and/or acceleration (shock waves), and can be minimized by adequate design and construction procedures.

Toxic Hazards Information. There are no known or suspected toxic or environmental hazards or nuisances affecting the subject properties. Please refer to Item 16 of the Assumptions and Limiting Conditions.

Flood Zone Designation. The Federal Emergency Management Agency (FEMA) has a flood zone designation of "X" (unshaded) defined as areas determined to be outside a 500-year flood plain. (Community Panel No. 0602243 0008D Map Revised September 28, 1990.

Property Tax Data and Projected Taxes. The property tax system in California was amended in 1978 by adding Article XIII to the state constitution, commonly referred to as Proposition 13. Under Proposition 13, real property assessment values were returned to March 1, 1975 levels, and properties are now appraised (i.e., reassessed) only when:

- A change in ownership occurs; or
- New construction is completed; or
- New construction is unfinished on March 1st (lien date).

Except for these three instances, property assessments cannot be increased by more than 2% annually. Also under Proposition 13, the property tax rate is stipulated to be 1% of a property's assessed value, plus any bonds or fees approved by the voters.

The subject properties fall into three different tax code areas representing two different tax rates. The following table outlines the tax code areas and rates.

TAX CODE AREA	RATE (%)
05-001	1.044287
05-030	1.044287
05-033	1.113649

A tax rate of 1.1% is used in the subsequent appraisal analysis, plus the anticipated annual charges for all bond and assessment districts.

Public Improvement Bonds/Assessments. After the enactment of Proposition 13, cities and counties began to utilize, to a greater extent, methods in addition to the ad valorem property tax to fund public facilities in developing areas. These methods included direct developer exactions, school impact fees, special assessments, and Mello-Roos Community Facilities Districts bond issues. At least two of these methods, special assessments and bonds, feature ongoing charges to the real property concerned, rather than one-time fees assessed at the time of development.

Mello-Roos Bonds. The Mello-Roos Community Facilities Act of 1982 allows local government to establish a community facilities district that encompasses an area to be served by proposed facilities or services. A community facilities district has bonding and taxing authority so that it can issue bonds to finance public facilities or services that confer a *general benefit*, and then repay the bonds with revenues from a special tax levied by the district. An individual property owner often cannot prepay his property's portion of the bonds, and the annual obligation to pay the tax must run with the land.

Special Assessments. Special assessments are charges imposed on property to pay for a public improvement of direct benefit to that property. Special assessments differ from taxes, in that taxes do not have to be tied to a *specific benefit* received by the taxpayer. And, unlike taxes, special assessments cannot exceed the cost of providing the facility or service.

In addition to the subject CFD, there are two existing Mello Roos Districts (Code numbers 357, 364) and two assessment districts (Code 670, Lighting and Landscaping, and Code 665, North Roseville, Rocklin Sewer Assessment District) within the CFD boundaries. Brief summaries of each follow.

City of Roseville Elementary Bond Code 357. This school bond commenced in the 1992/1993 tax year and extends through August of the year 2017. It is applied on an ad valorem basis at a rate of 0.022327%.

Roseville High School Bond Code 364. This general obligation bond has three series of debts being phased in through the year 2023. The maximum tax rate for all three series is 0.02196%. The duration of each series is outlined below.

Series	Start	Termination
Series A	1992/1993	August 1, 2017
Series B	1995/1996	June 1, 2020
Series C	1998/1999	August 1, 2023

Lighting and Landscaping Code 670. This is an annual, on going assessment.

Roseville Rocklin Sewer Code 665. This 1915 bond district commenced in 1988 and runs through the year 2009. It is not unusual for developers to prepay this cost. According to the City's Finance Department, the annual payment is approximately $220,000. This district incorporates the subject properties as well as properties outside the bond district boundaries.

North Central CFD O1 Code 669. This Mello Roos district funded both on-and off-site infrastructure facilities necessary for development. This appraisal is being made to determine value for the defeasing of said bonds. A total of 1,168 parcels were levied 100% maximum special tax rate and generated $7,548,004 in special taxes for fiscal year 1998/99.[7] This equates to $6,162 per acre on average.

[7] Sources: City of Roseville, Special Tax Levy Report prepared by MBIA, Muni Financial, July 1998.

The CFD encompasses land in the city of Roseville's North Central Specific Plan Area. This area is generally situated between Washington Boulevard on the west, the Southern Pacific/Union Pacific Railroad track paralleling Interstate Highway 80 on the east, Diamond Oaks Boulevard on the south and State Highway 65 Bypass on the north. Generally, the CFD area encompasses 1,225 acres within the 1,715 acre North Central Specific Plan area. Parcels south of the Diamond Oaks Boulevard, 20 units on six acres in the Country Estates development and a portion of the existing commercial development known as Stanford Ranch Crossing, north of Highway 65 bypass are included in the CFD (and are not located within the North Central Specific Plan area). The CFD area is located 1 1/2 miles north of downtown Roseville, and is primarily accessed by Highway 65.

The following exhibit shows the CFD boundaries, and the debt service by special tax group as reported in the City of Roseville Special Tax Levy Report dated July 1998.

CFD BOUNDARIES

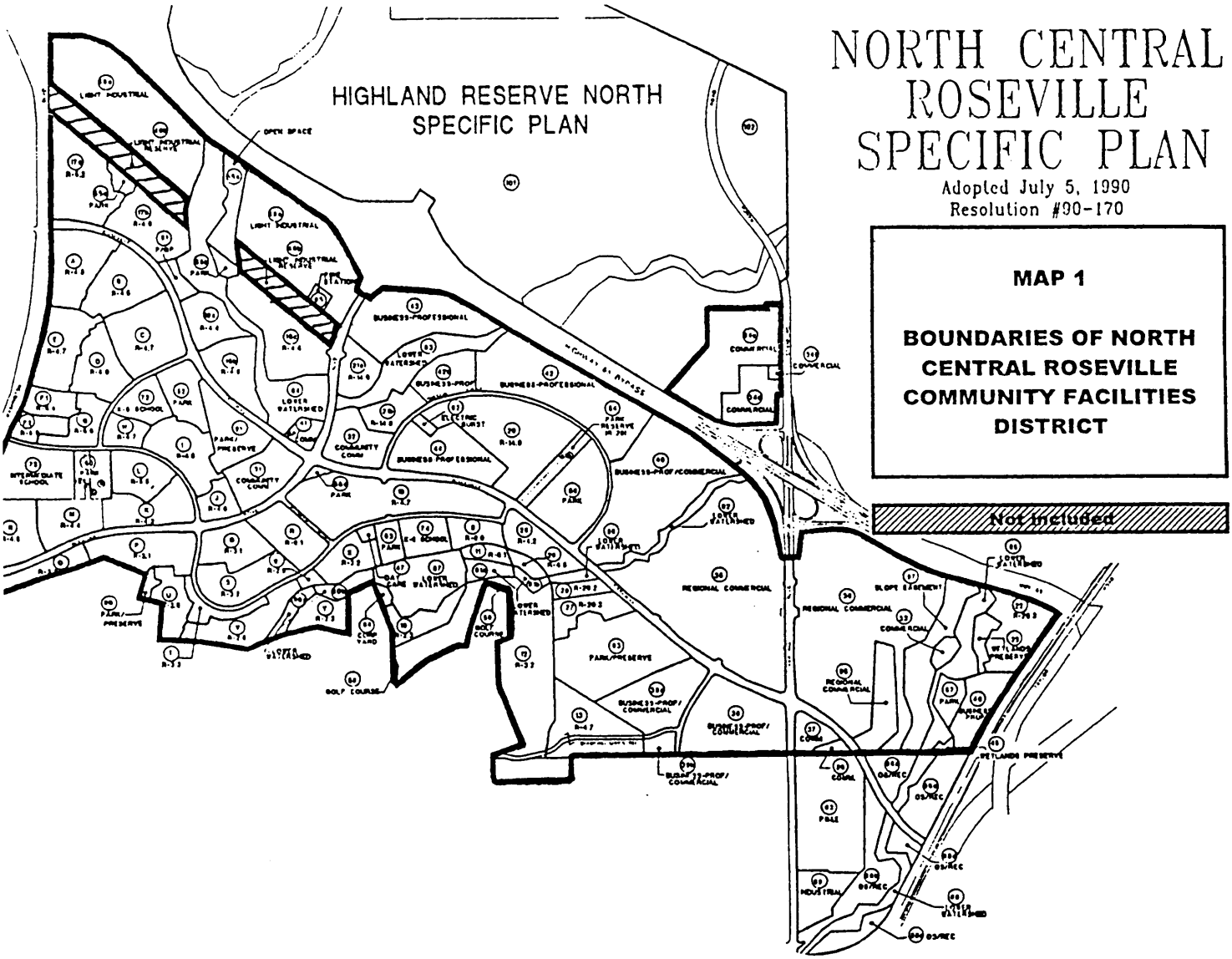


Exhibit A

City of Roseville
North Central Roseville Community Facilities District No. 1
Fiscal Year 1998/99

Group	CFD Parcel Number	Units	Land Use	Acres	Maximum Annual Tax: Debt Service Parcel	Maximum Annual Tax: Subsequent Improvement Parcel	Special Tax to Levy	Maximum Annual Tax Per Unit: Debt Service Parcel	Maximum Annual Tax Per Unit: Subsequent Improvement Parcel	Maximum Annual Tax Per Acre: Debt Service Parcel	Maximum Annual Tax Per Acre: Subsequent Improvement Parcel
Special Tax Group A											
A 52 A	74	Res-Large		$ 77,700	$ -	$ 77,700	$ 1,050	$ -	-	-
A 53 B	67	Res-Large		70,350	-	70,350	1,050	-	-	-
A 54 C	90	Res-Large		94,500	-	94,500	1,050	-	-	-
A 55 D	59	Res-Large			91,893	91,893	1,399	1,558	-	-
A 55 D	4	Res-Small			5,465	5,465	1,228	1,366	-	-
A 56 E	61	Res-Large			95,009	95,009	1,399	1,558	-	-
A 56 E	12	Res-Small			16,395	16,395	1,228	1,366	-	-
A 60 I	75	Res-Small			102,468	102,468	1,228	1,366	-	-
A 61 J	27	Res-Small			36,889	36,889	1,228	1,366	-	-
A 62 K	68	Res-Small		62,628	-	62,628	921	-	-	-
A 63 L	61	Res-Small		56,159	-	56,159	921	-	-	-
A 64 M	39	Res-Large		40,950	-	40,950	1,050	-	-	-
A 64 M	6	Res-Small		5,526	-	5,526	921	-	-	-
A 65 N	72	Res-Large		75,600	-	75,600	1,050	-	-	-
A 65 N	6	Res-Small		5,520	-	5,520	920	-	-	-
A 66 O	24	Res-Large			37,380	37,380	1,399	1,558	-	-
A 67 P	50	Res-Large		52,500	-	52,500	1,050	-	-	-
A 68 Q	36	Res-Large			56,071	56,071	1,399	1,558	-	-
A 69 R	79	Res-Small			107,933	107,933	1,228	1,366	-	-
A 70 S	34	Res-Large			52,956	52,956	1,399	1,558	-	-
A 71 T	39	Res-Large			60,743	60,743	1,399	1,558	-	-
A 72 U	26	Res-Large		27,300	-	27,300	1,050	-	-	-
A 73 V	40	Res-Large			62,301	62,301	1,399	1,558	-	-
A 74 W	5	Res-Large			7,788	7,788	1,399	1,558	-	-
A 75 X	31	Res-Large			48,283	48,283	1,399	1,558	-	-
A 76 Y	19	Res-Large			29,593	29,593	1,399	1,558	-	-
A 203 A	38	Res-Small			54,340	54,340	1,285	1,430	-	-
A 203 B	35	Res-Small			50,050	50,050	1,285	1,430	-	-
A 203 C	48	Res-Small			68,640	68,640	1,285	1,430	-	-
A 203 D	29	Res-Small			41,470	41,470	1,285	1,430	-	-
TOTAL GROUP A	1,254			$ 568,733	$ 1,025,667	$ 1,594,400				
Special Tax Group B										
B 11	32	R-6			51,875	51,875	1,457	1,621	-	-
B 19	876	R-25*	34.42		269,939	269,939	277	308	7,046	7,842
B 26	174	R-20*	8.59		53,618	53,618	277	308	5,611	6,245
B 27	72	R-20*	3.57		22,187	22,187	277	308	5,576	6,207
B 30	0	Comm	13.96		95,332	95,332	-	-	6,137	6,831
B 33	0	Hwy Comm	41.47		356,480	356,480	-	-	7,723	8,595
B 34	0	Rgnl Comm	94.11		744,074	744,074	-	-	7,103	7,906
B 38	0	Bus Pk/Com	19.33		134,446	134,446	-	-	6,251	6,957
B 38	0	Bus Pk/Com	2.98		20,749	20,749	-	-	6,251	6,957
B 39	0	Bus Pk/Com	50.03		351,895	351,895	-	-	6,319	7,033
B 40	0	Bus Pk/Com	3.48		24,774	24,774	-	-	6,401	7,125
B 43	0	Bus Pk	20.44		145,371	145,371	-	-	6,390	7,112
B 46	0	Daycare Ctr	1.09		7,443	7,443	-	-	6,133	6,826
B 204 A 49A	0	Lt Ind	46.47		241,349	241,349	-	-	4,666	5,194
B 204 B 49B	0	Lt Ind Rsrv			-	-	-	-	-	-
B 204 C 17B	98	R-5.5			140,768	140,768	1,193	1,328	-	-
B 204 D 17A	119	R-5.5			158,032	158,032	1,193	1,328	-	-
B 204 E 48A	0	Lt Ind	37.75		208,452	208,452	-	-	4,961	5,522
B 204 F 48B	0	Lt Ind Rsrv			-	-	-	-	-	-
B 204 G 18C	116	R-4.3			154,048	154,048	1,193	1,328	-	-
B 204 H 18A	48	R-5.4			63,744	63,744	1,193	1,328	-	-
B 204 I 18B	53	R-5.0			70,384	70,384	1,193	1,328	-	-
B 204 J 32	0	Comm	22.70		81,248	81,248	-	-	6,149	6,845
B 204 K 19	165	R-5.6			219,120	219,120	1,193	1,328	-	-
B 204 L 21A	177	R-16*	8.66		61,596	61,596	313	348	6,399	7,114
B 204 M 43	0	Bus Pk	27.99		199,195	199,195	-	-	6,393	7,116
B 204 N 21B	400	R-16/Comm	8.52		138,039	138,039	313	348	6,413	7,130
B 204 O 42	0	Bus Pk	40.59		289,400	289,400	-	-	6,405	7,129
B 204 P 26	45	R-4.5			59,760	59,760	1,193	1,328	-	-
B 204 Q 29	11	R-4.5			14,608	14,608	1,193	1,328	-	-
TOTAL GROUP B	2,346		486.16	$	$ 4,377,926	$ 4,377,926				
Special Tax Group C										
C 13	21	R-6			20,885	20,885	894	995	-	-
C 202	185	R-4			216,656	216,656	1,052	1,171	-	-

Exhibit A

City of Roseville
North Central Roseville Community Facilities District No. 1
Fiscal Year 1998/99

Group	CFD Parcel Number	Units	Land Use	Acres	Maximum Annual Tax: Debt Service Parcel	Maximum Annual Tax: Subsequent Improvement Parcel	Special Tax to Levy	Maximum Annual Tax Per Unit: Debt Service Parcel	Maximum Annual Tax Per Unit: Subsequent Improvement Parcel	Maximum Annual Tax Per Acre: Debt Service Parcel	Maximum Annual Tax Per Acre: Subsequent Improvement Parcel
TOTAL GROUP C		206				237,541	237,541				
Special Tax Group D											
D	15	89	R-5			99,022	99,022	1,000	1,113	-	-
TOTAL GROUP D		89			$ -	$ 99,022	$ 99,022				
E	51	20	R-1			20,905	20,905	939	1,045	-	-
TOTAL GROUP E		20			$ -	$ 20,905	$ 20,905				
Special Tax Group F											
F	21	340	R-20*	17.67		100,904	100,904	267	297	5,129	5,709
F	45	0	Bus Pk	12.83		89,341	89,341	-	-	6,257	6,964
TOTAL GROUP F		340		30.50	$ -	$ 190,245	$ 190,245				
Special Tax Group G											
G	32	0	Comm	2.55		18,515	18,515	-	-	6,519	7,256
G	35	0	Rgnl Comm	79.68		578,121	578,121	-	-	6,519	7,256
G	35	0	Rgnl Comm	14.30		103,760	103,760	-	-	6,519	7,256
G	36	0	Comm	5.26		38,199	38,199	-	-	6,519	7,256
G	200	0	Rgnl Comm	11.32		82,144	82,144	-	-	6,519	7,256
G	201	0	Comm	2.02		14,664	14,664	-	-	6,518	7,254
TOTAL GROUP G		0		115.13	$ -	$ 835,403	$ 835,403				
Special Tax Group H											
H	37	0	BP/Comm**	29.54		192,563	192,563	-	-	5,857	6,519
TOTAL GROUP H		0		29.54		192,561	192,561				
Total All Groups		4,295		661.33	$568,733.04	$6,979,270.02	$7,548,003.06				

The North Central Roseville Community Facilities District No. 1 Special Tax Bonds Series 1991 was issued June 1, 1991 for a total value of $90,125,000. The purpose of the facilities district was to fund both on- and off-site infrastructure facilities necessary for development. This includes

Highway 65/Harding Boulevard Interchange;
Portion of Harding Boulevard within CFD No. 1 boundaries;
Pleasant Grove Boulevard (to be completed by the year 2001);
Roseville Parkway;
Diamond Oaks Boulevard;
East Park Drive;
Collector Roads identified as A, B, C, and D;
Street E;
Stanford Ranch Road fronting parcel 34;
In-road sewer mains;
Off-road and out-of-area sewer mains;
Lift Station No. 1 improvements and treatment plant connection;
In-road water mains;
Off-road and out-of-area waterline improvements;
Storm drainage detention facilities;
Elementary and intermediate schools;
Advance funding of a neighborhood park;
purchase of a city-side park parcel;
Roadway median and highway65/Harding Boulevard landscaping;
Bike paths;
Park preserve improvements;
City inspection costs;
Management/contract administration;
Miscellaneous other improvements.[7]

Tax exempt parcels include public owned property properties (fire station, school sites, parks for example). In the original bond prospectus, Parcel 37 was exempt *until certain development approvals are [were] granted.* This parcel is no longer exempt.

The maximum annual tax for residential properties ranged from $1,364 to $1,930 per unit. Commercial properties have an annual tax ranging from a low of $5,693 per acre ($0.13 per square foot) to $10,657 per acre ($0.24 per square foot). The average bond payment for the district is $6,162 per acre. According to the City of Roseville's Finance Department, the maximum tax has been levied since the inception of the bond issue. The bonds were issued in 1991 with a maturity date of 2016/2017. There are provisions for the tax to extend 5 additional years, or until 2021.

[7]Source: Extract from report prepared by Morton and Patilo, Inc.

Summary/Conclusion. The South Placer County area, including the Roseville area, continues to be one of the most rapidly developing Sacramento suburban communities. It is strategically located along the Interstate 65 corridor, and is one of the most dominant residential, commercial, and industrial growth areas in the region. The Roseville/South Placer County area has been the most active area for major new industrial and manufacturing companies in the entire Sacramento region.

Massive community plan areas have been approved and are under construction or poised for near-term development in Roseville, Rocklin, and Lincoln, resulting in major developer and user activity. These communities offer the largest concentration of quality planned developments in the Sacramento region and can accommodate extensive residential, commercial, and industrial growth. The area's growth dramatically accelerated in 1987 upon completion of the Highway 65 Bypass, which links Interstate 80 with thousands of acres of community plan land and industrial tracts to the north.

Overall, the immediate neighborhood is well located in relation to the freeway, major services, and residential development. The regional mall development and other commercial development will continue to benefit from Roseville's overall growth and development. The economic future for Roseville and this area should continue to be positive.

IV. VALUATION METHODOLOGIES DISCUSSION

Highest and Best Use Analysis. Highest and best use may be defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.[8]

There are four property use aspects commonly investigated in the highest and best use analysis process. These are:

1. **Legally Permissible Uses.** What uses are permitted legally under existing zoning, land use planning, building codes, historic district controls, environmental regulations, deed (private) restrictions, and long-term lease provisions on the site in question?

2. **Physically Possible Uses.** What uses of the site are physically possible, given its size, shape, area, terrain, soils composition, accessibility, assembly potential, and risk potential from natural disasters?

3. **Financially Feasible Uses.** Which possible and permissible uses will produce a positive net return to the owner of the property?

4. **Maximally Productive Use.** Among the feasible uses, which use will produce the highest residual land value consistent with the rate of return warranted by the market for that use?

Development of the appraised properties will be constrained by the requirements of the North Central Specific Plan. Although some use changes might occur, developers generally will have to adhere to the land use designations that have been applied to their properties. Therefore, as a practical matter, the Specific Plan really determines the highest and best use mix within any particular group of properties.

Basic Methodology. Using primarily the sales comparison approach to value, we have determined retail values for all taxable properties that lie within the confines of the North Central Specific Plan Area. Already-improved properties are valued at their county tax assessor-assessed values. A number of land parcels are ready for development, and they are valued "as is", using the sales comparison approach. Still others are considered not available for immediate development, but they nevertheless are valued as if ready for development, or at least ready for marketing to a developer or merchant builder. However, the retail values of those properties in this last group are then discounted, using discounted cash flow analyses, to determine "as is" values. Finally, all of these values are presented, in summary form.

The discounted cash flow analyses rely on projections of future absorption of these properties provided by the Hausrath Group. Their projections are contained in the Addenda to this report.

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[8] THE APPRAISAL OF REAL ESTATE (Eleventh Edition), Appraisal Institute, Chicago, Illinois, 1996, p. 297.

Sales Comparison Approach to Valuation. Appraisal valuation is usually attempted using three primary methodologies that are widely accepted within the profession, called "approaches". Two of these, the Cost Approach and the Income Approach, are best suited for the valuation of improved, income producing properties, and therefore are of limited use in this appraisal assignment involving mostly unimproved land parcels. The Sales Comparison Approach, however can be applied to both improved or unimproved real property interests, as long as similar interests of other properties have, in fact, sold in the market. The Sales Comparison Approach methodology involves the accumulation of sale data of comparable properties, the analysis of each sale, and the adjustment of each sale, relative to the subject property, for conditions such as favorable seller financing, changes in market conditions, and dissimilar physical or other characteristics.

Explanation of the Base Values Concept. Since a large number of individual properties must be valued, the various sales comparables within each property type (multi-family residential parcels, for example) are adjusted relative to a typical, albeit hypothetical, subject parcel. Then, further adjustments are made, if and as necessary, to value an individual parcel relative to the typical parcel. In this manner, a retail value, free and clear of bonds, is derived for each valued property.

Treatment of Encumbering Bonds. In some appraisal situations properties are valued subject to encumbering bonds, and the value derived is indicative of the cash price that might be paid for that particular property subject to those bonds. However, such a value must be defined as something other than the fee simple estate value. The situation is somewhat analogous to concluding that the value of a house that might sell for $200,000 is worth only $80,000 because there is a $120,000 mortgage encumbering it; the equity value may be only $80,000, but the fee simple estate is certainly worth $200,000. We have assumed that all bonded improvements are in place and that the properties are subject to the bonds during the holding period, which we believe is in accordance with CDIAC guidelines. Also, in the discounted cash flow analyses the bond payments to be made over the projection periods are subtracted as expense items when determining discounted values.

Historically, the city of Roseville has imposed the maximum tax allowed under the bond formation. It is unknown if, after defeasing the bonds, if the city will lower bond payments. The discounted cash flow analyses use the maximum allowable tax. If, in the future, the imposed bond payments are lowered, it will positively effect value.

Treatment of Residential Properties and Land. Properties within the various residential sub categories are valued as further explained below.

Existing Homes. There exist about 450 completed homes. At any particular moment in time, only a modest percentage of these homes, which (except for model homes) are held by individuals, would be offered for sale, and they should be readily absorbed in the orderly market that we project. Therefore, bulk sale analysis is not applicable, and their appraised retail values are not discounted. The basis for determining the number of improved properties is the Placer County Assessor's Roll, and they are valued at their assessed values. The assessor's records reports a total improved value for the single family residences of $76,931,344. The inclusion of two multi-family projects increases this total to $78,899,944.

The table below shows the yearly activity since 1992 and the average price per square foot. Since home sales began in 1992, the average price per square foot is $88.64, which we conclude is about equal to average assessed value.

Year	# of Units Sold	Average Price per SF
1992	5	$78.38
1993	2	$82.82
1994	21	$87.17
1995	45	$92.47
1996	118	$87.85
1997	162	$90.41
1998	100	$83.76
Total	450 Units Sold	$88.64

Source: This information is based on Metro Scan, a reporting service based on information from the Assessor's office. Homes without square footage listed were not included in the above statistics.

Finished Lots. Vacant, unimproved residential land parcels, identified as being in development stage 3[9] in Roseville's Quarterly Development Activity Report are valued utilizing sales comparison approach techniques, and then discounted. There are 1,040 finished lots on 200.6 acres.

Paper Lots. This category contains single family development land identified as being in stage 1 or stage 2,[10] or not in any development stage. Primary emphasis was placed on the allowable zoning for those few parcels that have not applied for entitlements. These lots are also valued (retail values) using sales comparison techniques, and then discounted. There are 791 paper lots on 172.6 acres.

Multi-family Improved. The Antelope Creek apartment development (Parcels 22 and 46) is nearing completion. Its assessed value is reported under Residential Improved.

Multi-family Unimproved. An additional 61.4 acres of multi-family land are valued, and then subject to discounting based on the Hausrath absorption schedule.

[9]Defined as a project under construction or final map recorded.

[10]Stage 1 indicates a project being processed. Stage 2 indicates a project that is approved, but not yet constructed.

Treatment of Non-Residential Properties and Land. Properties within the various non-residential sub-categories are valued as further explained below.

Non-residential Improved Properties. For these properties, we relied on assessed values. The following table lists the commercial improved properties, and their current assessed values:

OWNER/USER	APN	ASSESSED VALUE
Micnan LLC/ Shell Station (Mini-Mart with gas)	017-121-024	$1,836,082
Golden Arch Limited Partnership (McDonalds)	017-121-023	$1,188,300
West Coast Realty Investors Inc. (Applebee's Restaurant)	017-121-035	$1,950,000
Price Company (Price Club Plaza)	017-121-025	$10,020,078
Toys R Us Delaware Inc. (Toys "R" Us)	017-121-027	$2,373,814
Price Enterprises Inc. C & O (Stanford Ranch Crossing & Others)	017-121-034	$17,332,114
Total		$35,800,388

Non-Residential Land Currently Being Developed. A number of commercial properties are in the development stage at this time. They are valued using sales comparison approach techniques. Since they are already absorbed, no discount is applied to their retail values. Brief descriptions of these properties follow.

Creekside Center- Parcels 33, 36, 37, 85, 95, 96 and 97. This 112 acre site has been approved for 1.4 million-square-foot Creekside Center project. Evergreen Creekside LLC purchased the property in February of 1998 from Alleghany Properties Inc. for an undisclosed price estimated at $18,000,000 to $19,000,000 million (inclusive of bonds). Plans have been submitted for a mixed use project including 435,000 square feet of office space and 694,100 square feet of retail. The builders requested approval for 279 hotel rooms. Donahue Schriber a Newport Beach shopping enter developer is focusing on the retail aspect of the development. Construction has commenced on this project. Of the entire development, only 78.9 acres have been absorbed. The absorbed parcels represent the retail portion to be developed by Donahue Schriber, and offices to be developed within the next twelve months. One is currently

under construction with a second office building anticipated to start construction in the next six to twelve months.

Galleria at Roseville- Parcel 35. This 94.18 acre site is currently being developed by Urban Retail Roseville LLc. This development represents the entrance of the first regional mall development in the last 25 years into the Sacramento area. It is located at the northwest corner of Harding Boulevard and Roseville Parkway (in close proximity to the Creekside Center above). The two level mall has four major anchors, cinema and outdoor plaza with a total gross leaseable area of 1,120,000 square feet. Anchors includes Macy's Nordstrom, Penney's and Sears. Grading on the project began in August 1998 with completion slated for September 2000. This parcel is considered "absorbed" in the discounted cash flow analysis.

We did not assign any additional value attributable to tenants already having been secured, development plans already in place, or users identified. The valuation represents the value of the land only, and not the proposed development. On the following pages is a presentation of the commercial properties, considered absorbed and their concluded retail values.

Non-Residential Properties to be Absorbed in the Future. Additional commercial, office and industrial property will be absorbed in the future. A complete schedule is contained later in this section. The retail values of these properties are estimated using sales comparison techniques, and these values are then discounted utilizing the Hausrath absorption projection. A presentation of the retail values of the commercial properties to be absorbed follows.

Explanation of the Discounted Value Analysis Concept. After the retail values of the various properties that are not in immediate market demand have been estimated, bulk sale value estimates can be derived. It is expected that the various properties not in immediate demand will realize their retail values at various times in the future. However, it is virtually impossible to predict which particular properties will be developed sooner, and which will be developed later. It is more realistic to project the *pace* of overall development over future time, and those projections have been made for us by Hausrath Economics Group, and they are contained in the addenda.

The absorption properties can then be merged with the retail value analyses, and the resulting future net sales proceeds that are projected for each future year can be discounted at an appropriate rate to determine the free and clear value estimate. Based on our interviews with developers and investors, we estimate that the appropriate discount rate in the range of a 12% to 15% *real rate of return*[11], and we have selected a discount rate of 15%, as further discussed later in this report.

[11] A real rate of return is an inflation adjusted rate of return. If inflation were expected to remain at the 3% level, more or less, then the equivalent nominal (unadjusted) rate range would be 15% to 18%. We have used a real rate of return so as to avoid having to also adjust future retail values for inflation.

In this appraisal, future retail prices are expressed in 1999-dollar terms (no inflation is projected), and therefore the discount rate need not include an inflation premium component.

The risks that the hypothetical bulk buyers/investors are assuming include the risk inherent in securing the additional government approvals needed prior to development of some of the properties, some project infrastructure design risk, and the risk relating to the pace of future demand for the product to be built (marketing risk). In our opinion, the discount rate should not include building construction risk, which would be assumed later, and possibly by different parties.

Development and Holding Expense Analysis. Some holding, development, and marketing expenses are encountered by a holder of property during the period of time that discounting applies. These include marketing, administration, real estate taxes, and others. All of these are discussed in more detail in Valuation Analysis section of this report.

Commercial Unimproved - ABSORBED

Parcel Number	*Owner Name*	*Zoning*	*Map*	*Dev. Stage*	*Acres*	*Land Sq.Ft.*	*Unit Type*	*Unit Count*	*Retail Val/Unit*	*Total Retail*
015 160 050 003	Evergreen - Creekside (#50-3)[see#50-1]	C	33	2						
015 160 051 001	Evergreen - Creekside Llc (#51-1)	C	37	0	7.70	335,412	SF		$8.00	$2,683,296
015 160 051 002	Evergreen - Creekside (#51-2)[see#51-1]	C	96	0						
Subtotal:					***7.70***	***335,412***				***$2,683,296***
015 160 050 001a	Evergreen - Creekside Llc (#50-1a)	RC	36 (	2	71.20	3,101,472	SF		$6.00	$18,608,832
015 160 050 006	Evergreen - Creekside Llc (#50-6)	RC	95	2						
363 010 005 000	Urban Roseville Llc C & O Tax	RC	35	3	94.20	4,103,352	SF		$6.00	$24,620,112
Subtotal:					***165.40***	***7,204,824***				***$43,228,944***
GRAND TOTALS:					***173.10***	***7,540,236***				***$45,912,240***

V. COMPARABLES DATA ANALYSES

Land Use and Zoning. Prior to presenting comparables data, we should identify the various property classifications that are included in the CFD. The following is a description of land uses within the district as designated by the North Central Specific Plan, adopted by the City of Roseville's Council on June 5, 1990.

Residential Land Uses. Residential classifications set a target average number of units per net acre (excluding public streets) within a specified density range. The density on a portion of a project site may be anywhere within the designated range as long as the average density per net acre of all the sites of that density category in the whole Planned Development (PD) approximates the target average established for the residential land use classification.

The specified densities are 4, 5, 6, 8, 12, and 20 dwelling units per acre. The policy for the single-family residential neighborhoods is to separate them from other areas and buffer them from noise and traffic.

Different specific zones and lots sizes include:

Single -Family Residential (R1). The R-1 district is intended for detached, single-family homes and similar or related compatible uses. Interior lots sizes are 6,000 SF, and corner lots of 7,500 SF are allowed.

Small Lot Residential (RS). The RS district is intended to allow either attached or detached single-family dwellings, and similar or related compatible uses. Interior lots sizes are 4,500 SF, corner lots are 5,500 SF.

Two-Family Residential (R2) District. The R-2 district is intended to allow two dwellings per lot, either detached single-family dwellings or duplexes, and similar and related compatible uses. Interior lots sizes are 6,000 SF; 7,500 SF corner lots are permitted.

Attached Housing (R3) District. The R-3 district is intended for multiple-family housing. The types of land uses intended for the R-3 zoning district include apartments, condominiums, townhomes, and similar and related compatible uses. Interior lots sizes are 6,000 SF; 7,500 SF corner lots are permitted.

Commercial Land Uses. The Specific Plan states that "the key element of the Plan concept is the creation of an intense commercial core". Commercial development under the Specific Plan is intended to create a "satellite" downtown area for the entire South Placer region. The proposed land uses in the North Central Specific Plan area consist of Regional Commercial, Commercial, Highway Commercial, and Business-Professional Commercial.

> **Business Professional (BP) District**. The use is intended to provide locations for a wide variety of office uses and other uses which are related to and supportive of office uses.

Neighborhood Commercial (NC) District. The use is intended to be applied to properties in close proximity to residential areas providing for convenient retail and personal service facilities.

Community Commercial (CC) District. The use is intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers, and other retail and service uses.

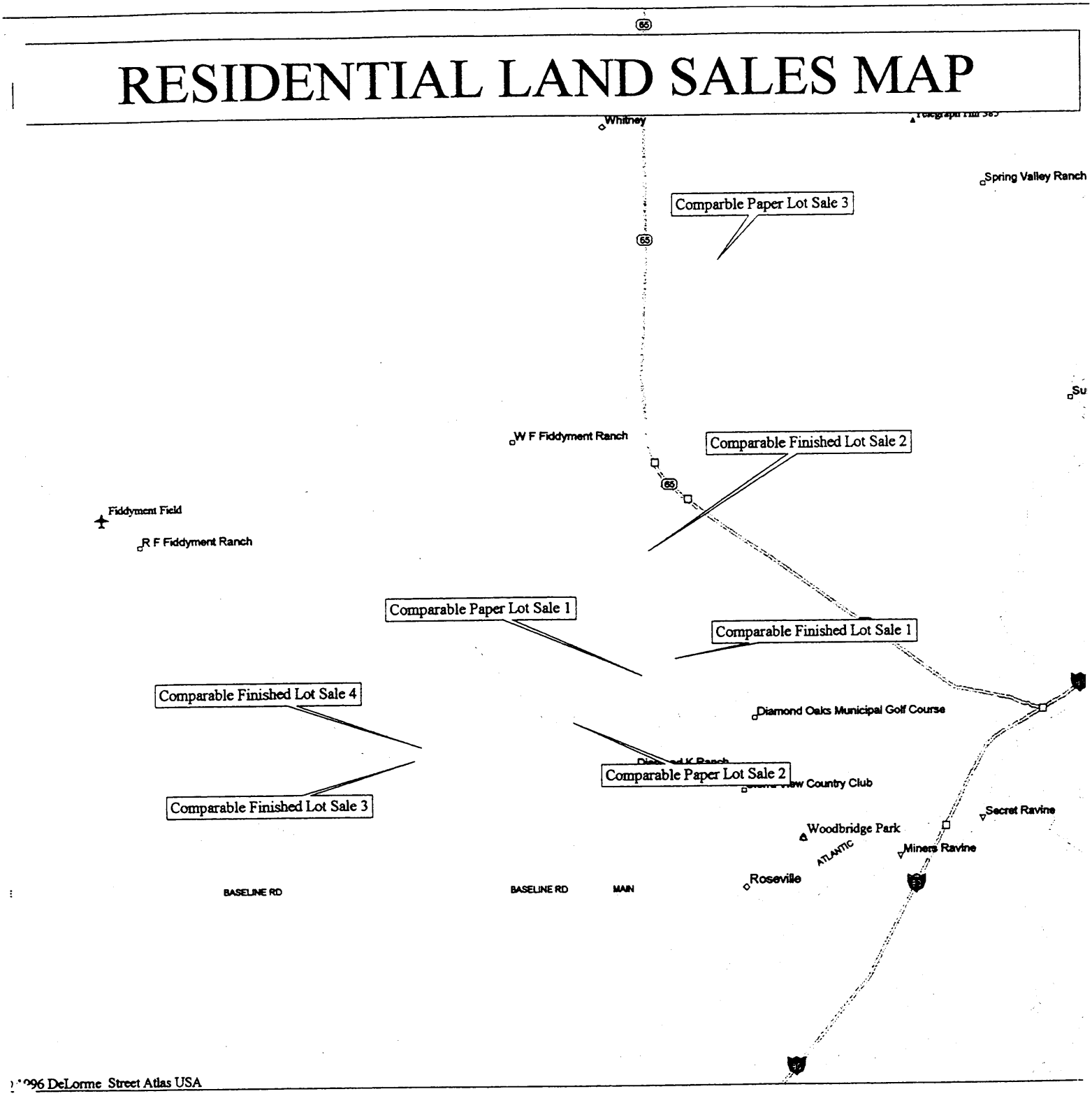
General Commercial (GC) District. The use is intended to serve the entire community by providing areas for commercial facilities that are more of a service or heavy commercial character than are permitted in the community commercial district, and may involve outdoor display, storage or activity areas.

Regional Commercial (RC) District. The use is intended to provide for commercial facilities serving not only Roseville, but the greater South Placer Area.

Light Industrial (M1) District. The Light Industrial district is intended to designate areas appropriate for light industrial uses such as manufacturing, processing, assembly, high technology, research and development and storage uses. The use types permitted within the M-1 district do not include outdoor manufacturing but may include limited outdoor storage and the emission of limited amount of visible gasses, particulates, steam, heat, odor, vibration, glare, dust, and noise. These uses must be compatible when operating in relatively close proximity to commercial and residential uses.

Residential Land Sales. A compendium of residential land sales follows on the next few pages. A map showing sales comparables' locations follows in the next page.

RESIDENTIAL LAND SALES MAP



1996 DeLorme Street Atlas USA

13.00

Tue Mar 16 15:48 1999

Scale 1:62,500 (at center)

Miles

2 KM

Local Road
Major Connector
Primary State Route
Interstate/Limited Access
Utility/Pipe
Railroad
Point of Interest

Summit
Geographic Feature
Park/Reservation
Locale
City
Private Airport
Exit

Cemetery
Population Center
Water
Woodland
River/Canal

RESIDENTIAL LAND SALES SUMMARY					
No.	Location	Sale Date	No of Lots	Price Per Lot without adjusting for Bonds	Average Lot Size
P1	Heritage Drive, N of Diamond Oaks Rd. Roseville	12/97	109	$40,000 (Paper Lots)	11,400 SF
P2	Pleasant Grove Boulevard., West of Foothills, Roseville	1/96	204	$18,000 (Paper Lots)	8,000 SF
P3	Northwest corner of West Oaks Boulevard and West Stanford Ranch Road, Stanford Ranch	4/97	101	$15,000 (Paper Lots)	6,050 SF
P4	South side of Roseville Parkway at the eastern terminus of Gibson Drive, Roseville	7/98	56	$14,464 (Paper Lots)	4,560- 5,160 SF
F1	NWC Roseville Parkway & Trestle Rd. Roseville	12/95 & 6/97	32 20	$45,000 $55,900 (Finished Lots)	6,500 SF
F2	ES Washington Blvd., S/O Roseville Parkway, Roseville	4/98	79	$43,000 (Finished Lots)	7,000 SF
F3	WS of Country Club Drive, Roseville	9/96	113	$46,000 (Finished Lots)	9,097 SF
F4	SWC Country Club Drive, Roseville	5/96	21	$42,261 (Finished Lots)	6,000 SF

Comparable Paper Lot Sale P1 represents a 109 lot transaction at Heritage, Diamond Oaks, Phases II and III, encompassing an area of approximately 33.8 acres. This development wraps around a portion of Diamond Oaks Golf Course, and it is also near the future regional shopping mall site. The property sold in December, 1997 for a total purchase price of $4,360,000, which does not include the value of the bond obligation. The buyer was a production homebuilder, Polygon Diamond Oaks LP; however, Lennar has since purchased Polygon. The contract price was $40,000 per lot and the seller facilitated the sale with short-term seller financing at 10% for six months. The financing terms are not considered to have affected the sales price. The imputed value of the bond obligation is an additional $1,164 per lot as reflected by the capitalization of the annual payment at the mortgage constant for 7% at 30 years. Monthly bonds are approximately $97 per lot and monthly homeowner's dues are $40 per lot.

The site was unimproved raw land with utilities to the site from Phase I, and the processing was close to being completed for a final map with an approved 404 permit and approved improvement plans. The topography of the site is generally level and at street grade. These are larger, estate-type lots averaging 11,400 square feet, with 38 of the lots having golf course frontage and 21 having frontage on open space areas. While the buyer developed a production-home subdivision, the homes are quality tract homes of up to 4,136 square feet and priced starting from the low $300,000s.

Comparable Paper Lot Sale P2 is located within the Northwest Roseville Specific Plan area, off of Pleasant Grove Boulevard, west of Foothills Boulevard. This property sold in January, 1996 for an all cash price of $3,672,000 or $18,000 per "paper lot", not including bonds. An imputed bond value calculation of $5,471 per lot represents the buyer's anticipated bonds for the project. The buyer, US Homes, has developed Woodcreek Oaks 4A and 4B and Heritage Oaks on the property.

The property is in an area of newer homes (developed mostly in the late 1980s to the present) with a mix of average to upscale projects in the neighborhood. There are a total of 204 lots with an average lot size of 7,000 to 8,000 square feet. The topography is irregular with light to moderate slope. The irregular topography as well as the construction of a wall resulted in slightly higher than usual off-site costs ($24,000 per unit).

Comparable Paper Lot Sale P3 is located in the Stanford Ranch West community of Rocklin. The buyer, Lennar Renaissance, purchased the property in April, 1997, for an all cash price of $840,000 or $15,000 per lot. The comparable's bond calculation includes three CFDs imputed at $4,696 per lot.

This planned community is known for its schools, and appeasing amenities. The irregular topography of this property is adjacent to wetlands. The tentative mapped lots are 55 x 110 feet, with an average lot size of 6,050 square feet. The typical lot size of recent sales for this development range from 6,050 square feet to 7,150 square feet. Paper lots sales of tentative maps have ranged from $14,500 (71 lot purchase in 11/97) to $17,097 per lot (62 lot purchase in 7/97).

Comparable Paper Lot Sale P4 is located in the Highland Reserve planned development, on the south side of Roseville Parkway and on the east side of Chase Drive in the North Central Roseville Specific Plan Area. It has 13.3 acres in two parcels with extensive frontage on Roseville Parkway. The buyer purchased the property in December,1996, as raw land with an approved tentative map. The all cash purchase price was $810,000 or $14,464 per lot plus the assumption of approximately $13,473 per lot in bonds.

The property's topography is basically level to gently sloping; it has no trees or significant vegetation, and is essentially ready for immediate development. The lots are 57' x 80' or approximately 4,560 SF. This is a small lot project. The noise emanating from vehicle traffic on Roseville parkway may affect the sale prices of the housing product, however, the proximity to the regional mall may offset this negative attribute.

Comparable Finished Lot Sale F1 is a "rolling option" purchase at the northwest corner of Roseville Parkway and Trestle Road, in the Highland Reserve West planned area. The original option agreement

was negotiated in 1994. A total of 108 lots were purchased by the buyer, U.S. Home Corporation, over a two-year period. The final purchase price for the first "take-down," in December, 1995, was $1,440,000 or $45,000 per lot. The second "take down," in June, 1997, at $1,118,000, or $55,900 per lot, included carrying costs. The 1995 sale at $45,000 per lot is used for the analysis due to the fact that carrying costs had been included in the more recent take down. The total imputed value for the bonds is $14,286 per lot.

The topography of the site is level. The average lot size is 6,500 square feet (6,000 square feet for interior lots, and 7,000 square feet for corner lots. U.S. Homes marketed detached single-family homes ranging size from 1,665 to 3,156 square feet.

Comparable Finished Lot Sale F2 is a 79 lot purchase in the Highland Reserve West planned area. The property is located on the east side of Washington Boulevard, south of Roseville Parkway. The property was sold to D. R. Horton in April, 1998, for an all cash purchase price of $3,397,000 or $43,000 per lot, plus the assumption of the CFD bonds which had been paid down by the seller to $1,050 annually per lot. The imputed present value of the bonds using a mortgage constant for 7% and 30 years equates to approximately $13,158 per lot.

The subdivision has a typical lot size of 7,000 square feet, and the topography of the property is mostly level. The lots were finished some time ago and the finishing cost was estimated at $17,000. D. R. Horton will develop homes from 1,840 to 2,353 square feet with anticipated sale prices starting from $180,000.

Comparable Finished Lot Sale F3 is a bulk sale acquisition of 113 lots within the Country Club Estates project in northwest Roseville. The property is located on the west side of Country Club Drive at Legends Way. It was sold to J & L Properties in September, 1996, for a total purchase price of $5,198,000, not including bonds. The sale contract was based on a price of $46,000 per lot, and the buyer was allowed to close on three lots early for the purpose of initiating model construction. The imputed value of the bond obligation is an additional $7,750 per lot. The topography is generally level, and the lot sizes range from 6,976 to 16,553 square feet, with an average of 9,097 square feet and a median of 8,267 square feet.

Comparable Finished Lot Sale F4 is also located in the Northwest Roseville Plan area. It is located at the southwest corner of Country Club Drive and Junction Boulevard. This sale represents the acquisition of 21 finished lots within the Woodcreek Oaks area. The buyer, J & L Properties, purchased the property in May, 1996, for a sale price of $887,500, or $42,262 per lot, not including the value of the bond obligation. The total imputed value of the bonds are estimated at $6,273 per lot. The seller, Elliott Homes, reported that permit fees in the area were approximately $19,500 per home. The average lot size is 6,000 square feet.

Other Market Data . The Lincoln area is beginning to see land acquisition for single family residential properties, and these sales provide secondary support pertaining to bulk paper lot prices:

Purchase of 67 tentative mapped lots in the City of Lincoln. After adjusting for extraordinary mitigation costs, this sale represents a price per lot of $14,810 for 4 DU per acre. (Buyer is Benson and Sedar, a California Corporation).

Arnaiz Development is purchasing 298 paper lots for $11,543 per lot. This pending contract represents the acquisition of 72 acres representing a density of 4.14 DU per acre. The same buyer purchased another 49 lots for $12,043 per lot in January of 1997. These lots are located west of First Street in Lincoln, California.

The above information indicates that bulk lot sales in the Lincoln market range from $11,543 to $14,810 per lot, based on 4 DUs per acre.

In April 1998 Parcels I and J sold to Cresleigh Highland Reserve West. This is a sale of raw land with maps for 75 lots and 27 lots on Hallisey Drive in the North Central area of Roseville. The lots are typically 60' by 80'. Parcel I, with 75 lots, had a final map and improvement plans that were 95% processed. Parcel J, with 27 lots on 5.9 acres, had a final map recorded with completed improvement plans. The sale was reported at $12,500 per lot by a representative from Morrison Homes. Bonds are similar to Morrison's other subdivisions at about $14,000 per lot, indicating a value for small lots of approximately $26,500 per lot, unencumbered.

Adjustment Categories. No adjustments are required for property rights acquired, financing terms or condition of sale. Some adjustments are necessary for Mello-Roos bonds, fees and permits, and lot finishing and engineering costs.

Mello-Roos Bonds. Many of the comparables are subject to annual Mello-Roos bond payments, which are ongoing charges to the property concerned, rather than a one-time fee assessed to the property at the time of development. Based upon our findings, the most logical method of comparing is to view these costs as an additional mortgage payment on the individual lots at 100% of the imputed value. Therefore, the present values are imputed for each comparable using the loan constant for a 7.0%, 30-year loan, of 7.98%, the typical mortgage rate and amortization in this market.

If, during negotiations, bonds were estimated by the buyer or seller, the information used at the time of negotiations is reflected on the property data sheet. Several older sales were affected by an 8.0% mortgage rate.

Finished Lot and Engineering Costs. All of the comparables are adjusted to a "paper lot" status. similar to the subject's paper lot state of development. All of the comparable are adjusted to a "finished lot" status for analysis of the subject's bulk finished lots. Finished costs are based on the actual cost to place curb, gutter, sidewalk as reported during confirmation. Engineering costs are based on interviews with the same buyers, sellers, and engineers.

Valuation Summary

The eight comparable sales indicate an unadjusted range of value from $14,464 to $45,000 per lot. The following table presents the data for each of the comparables. We have not used quantitative adjustments because of the large number of variables and the lack of paired sales analysis. As applicable, the table following the data grid adjusts the sales for differences in finishing costs by deducting typical costs for finishing the subject lots based on the market. These value indications are then used to bracket the subject lot values using a subjective comparison evaluation analysis.

Adjustment Grid - Comparable Land Sales

	P-1		P-2		P-3		P-4		F-1		F-2		F-3		F-4	
Location	Heritage Drive, Roseville		Pleasant Grove Blvd., Roseville		Stanford Ranch, Lot 63, Rocklin		Roseville Parkway, ES of Chase Drive, Roseville		NWC Roseville Parkway & Trestle Rd., Roseville		Washington Blvd, Roseville		Country Club Drive, NW Roseville		Country Club Drive, NW Roseville	
Proximity to Subject Area	Subject Area		NW Area		East of Subject Area		Subject Area		Subject Area		Subject Area		West of Subject Area		West of Subject Area	
Unadjusted $/ Lot:		$40,000		$18,000		$15,000		$14,464		$45,000		$43,000		$46,000		$42,261
Status:		Paper		Paper		Paper		Paper		Finished		Finished		Finished		Finished
Bonds:		$14,586		$5,471		$4,696		$13,473		$14,286		$13,158		$7,750		$6,273
Finish Cost:		$22,000		$24,000		$22,000		$21,000		$0		$0		$0		$0
Permits:		$23,000		$22,000		$23,000		$21,000		$20,000		$19,500		$19,500		$19,500
Total Cost:		$99,586		$69,471		$64,696		$69,937		$79,286		$75,658		$73,250		$68,034
VALUE ADJUSTMENTS	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment
Financing/ Concessions:	Same as Cash		Cash		Cash		Cash to Seller		Cash		Cash		Cash		Cash to Seller	
Sale Date:	12/97		1/96		4/97		7/98		6/97		4/98		9/96		5/96	
Appeal:	Good		Average		Average		Average		Average		Average		Average		Average	
Location:	Good		Good		Good		Average		Average		Average		Average		Average	
# of Lots:	109		204		101		56		32 & 20	RO[1]	79		113		21	
Lot Size/Utility:	11,400 SF		7,500 SF		6,050 SF		4,560 SF		6,500 SF		7,000 SF		8,300 SF		6,000 SF	
Net Adjustment:		0		0		0		0		0		0		0		0
Built-up Cost & Finished Lot Value Indication:		$99,586		$69,471		$64,696		$69,937		$79,286		$75,658		$73,250		$68,034

Notes: 1 RO= Rolling Option

	P1	P2	P3	P4	F1	F2	F3	F4
Built-Up Value Indication:	$99,586	$69,471	$64,696	$69,937	$79,286	$75,658	$73,250	$68,034
Less Subject's Building Permits and Fees for Lot Type:	$23,000	$22,000	$22,000	$21,000	$23,000	$23,000	$23,000	$23,000
Indicated Finished Lot Value Indication/ Inclusive of Bonds:	$76,586	$47,471	$42,696	$48,937	$56,286	$52,658	$50,250	$45,034
Less Typical Development Costs:	$22,000	$24,000	$23,000	$21,000	$24,000	$21,000	$21,000	$21,000
Indicated Paper Lot Value of Subject/ Inclusive of Bonds: (Unencumbered Value)	$54,586	$23,471	$19,696	$27,937	$32,286	$31,658	$29,250	$24,034

Summary of Base Unencumbered Value Indicators for Residential Land

Our analysis is based on a price per lot value. The zoning permits lot sizes ranging from a minimum of 6,000 square feet for R1 zoning and 4,500 square feet for RS zoning. The following table arrays the comparables based on their lot size, inclusive of the bonds to reflect the unencumbered value. The subject bonds will be considered in a subsequent phase of this valuation process.

No.	Lot Size	Adjusted Price Per Lot
R1 & RS Paper Lots	4,500 SF +	
P-4	4,560 SF	$27,937
F-4	6,000 SF	$24,034
P-3	6,050 SF	$19,696
F-1	6,500 SF	$32,286
F-2	7,000 SF	$31,658
P-2	7,500 SF	$23,471
F-3	8,300 SF	$29,250
P-1	11,400 SF	$54,586
R1 & RS Finished Lots	6,000 SF +	
P-4	4,560 SF	$48,937
F-4	6,000 SF	$45,034
P-3	6,050 SF	$42,696
F-1	6,500 SF	$56,286
F-2	7,000 SF	$52,658
P-2	7,500 SF	$47,471
F-3	8,300 SF	$50,250
P-1	11,400 SF	$76,586

RS Paper and Finished Lots - The best paper lot comparables for the smaller lot product are P-4 ($27,937 per lot) and the slightly larger lots from $19,696 through $32,286 per lot. Because the P-4 sale is within the subject area and represents a small lot sale within the range of the other indicators, a paper lot value for the RS product is indicated at $27,900 per lot. The P-4 sale indicates a finished lot value of $48,937 per lot with the other indicators in the range of $42,696 to $56,286 per lot. Again using the most similar data from sale P-4 and the support from the other data, a value of $48,900 per lot is indicated.

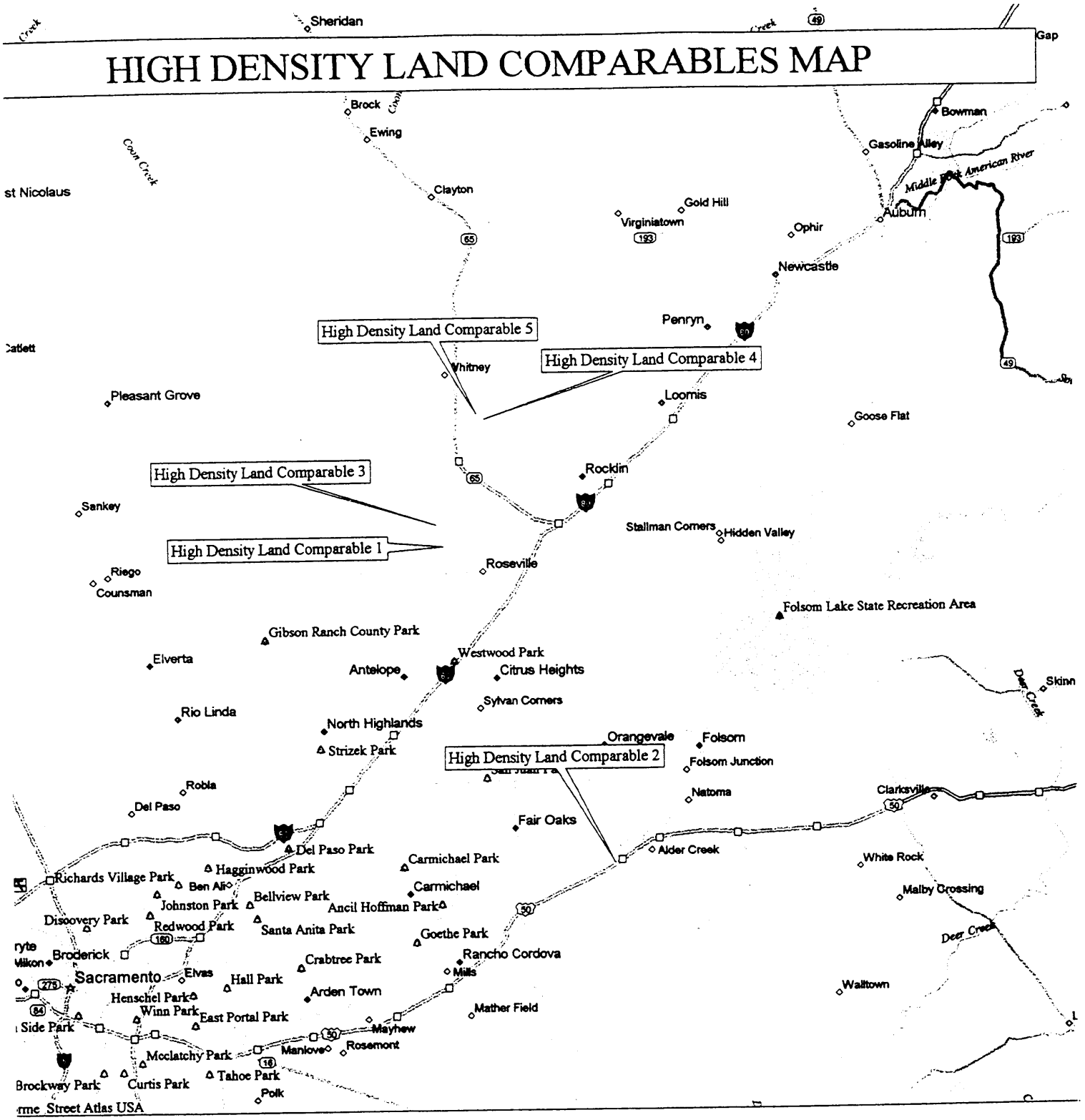
R1 Paper and Finished Lots - The best paper lot comparables for the larger lot product are F-1 ($32,286 per lot) and F-2 ($31,658 per lot) because they are located in the subject area. With emphasis on F-1 and F-2 and support from the other sales a value of $32,500 per lot appears reasonable for the subject's R1 paper lots. The subject's finished R1 lots have two separate general categories because of the estate-type lots near the golf course. The average R1 finished lots are best supported by sales F-1 and F-2 at $56,286 and $52,286 indicating an estimated value of $55,000 per lot. The larger lots indicators are from $47,471 to $76,586 per lot by sales P-2, F-3, and P-1. Given the range of the large lot sales and emphasis on the largest lots at $76,586 per lot, the indicated value is estimated at $70,000 per lot.

The following table summarizes the base unit values for the two single family residential categories:

RESIDENTIAL BASE VALUES (UNENCUMBERED, INCLUSIVE OF BONDS)	
Zoning & Lot Status	**Value Indicator Per Lot**
RS- Paper Lots	$27,900
RS- Finished Lots	$48,900
R1- Paper Lots	$32,500
R1- Finished Lots- Small	$55,000
R1- Finished Lots- Estate Size Lots	$70,000

These values are applied to all of the properties of these types in the CFD in order to determine their retail values.

HIGH DENSITY LAND COMPARABLES MAP



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Major Connector
State Route
Primary State Route
Interstate/Limited Access
Rest Area with facilities
County Seat
State Capital

Small Town
Park/Reservation
Locale
City
Exit
Population Center
Land

Water
River/Canal

HIGH DENSITY LAND COMPARABLES SUMMARY						
No.	Location	Sale Date	Zoning	Size (DU) Acreage Density	Sale Price Price Per Acre	Price Per Unit
HD-1	Kingswood Drive, East of Foothills Blvd., Roseville	7/97	R3	200 units 17.8 Ac 11.24	$2,200,000 $115,168	$10,250*
HD-2	12155 Tributary Point Dr., Gold River, Rancho Cordova	7/97	RD25	216 units 12.17 Ac 17.75	$2,250,000 $184,881	$10,417
HD-3	Bridges at Woodcreek Oaks, 7950 Foothills Blvd., Roseville	5/98	R-3	185 units 13.8 Ac 13.4	$1,035,000 $75,000	$8,294 (adj for bonds and offsites)
HD-4	Sunset Court, N. of Sunset Blvd, NE of Park Drive, Rocklin	11/97	PD20	344 units 18.9 Ac 18.20	$1,892,000 $192,258	$10,563 (adj. for bonds)
HD-5	North of Sunset Blvd, Southeast of West Oaks Blvd., Rocklin	2/98	PD20	452 units 28 Ac 16.14	$2,486,000 $173,536	$10,750 (adj. for bonds)
*Adjustment for offsites, as well as plan approvals. Please refer to discussion.						

Comparable 1. This comparable is an arm's length transaction of the fee simple interest of an 17.8-acre parcel zoned R3. The net useable acreage is 12.98 acres net of a power line easement. It sold for $2,200,000 in July of 1997 for cash. No bonds were assumed. According to the buyer, this was a natural extension of their existing apartment complex. They had approached the Seller on numerous occasions. The buyer, Autumn Oaks 200 LLC, is affiliated with the Randall Group, a Portland-based apartment developer. This property was in escrow for over one year awaiting entitlements. The buyer felt this was a market rate transaction.

The property had underground utilities, curb, gutter, and sidewalks already installed ($400,000±) and plan approvals ($150,000±) as estimated by Randall Realty. The adjusted price of land only is $2,050,000 or $10,250/unit. Apartment development fees for the City of Roseville are $13,000/unit. This comparable's size, location and density are similar to the subject parcels. It is located in the growing, dynamic Roseville market.

Comparable 2. This comparable is an arm's length transaction of the fee simple interest of a 12.17-acre parcel zoned RD25. It sold for $2,250,000 in July of 1997 for cash. No bonds were assumed. This property's entitlements allowed a 250 unit complex. The Gold River community, northwest of the comparable, had opposed the Foundation Health mid-rise headquarters within the same development. According to the broker, a three-story, Class A project is proposed for the site. The plans and entitlements have been approved by the community resulting in a compromised unit count of 216 units.

The developer, Spanos Corporation, has a preliminary listing package marketing the completed project at $98,000 per unit with a 7 ½ % capitalization rate. The buyer's anticipate quick absorption and will attract tenants from the adjacent strong Folsom market, as well as tenant's working at Intel Corporation. (Intel is located approximately three miles east of the subject along Highway 50 and Folsom Boulevard). This transaction reflects the demand for multifamily land, as well as the demand for Class A projects in the Sacramento market. It is located adjacent to the strong Folsom market along the Highway 50 corridor. This sale did not require the assumption of bonds and the fees for development are approximately $9,000/unit versus the $13,000/unit in Roseville.

Comparable 3. This parcel had approvals in the early 1990s for apartments but it was down zoned for a small-lot subdivision with 72 lots. This comparable is an arm's length transaction of the fee simple interest of a 13.8-acre parcel zoned R-3 for multi-family housing. However, the buyer conditioned the purchase upon a re-zone from RS to R3 which was submitted in July of 1997.

This sale price of approximately $4,243 per unit reflects the requirement for mitigation of approximately $250,000 or $1,351 per unit for bridges over drainage ditches and the necessary re- zone. Due to the drainage ditches the overall density is lower than is typical for apartment sites. The bonds were assumed at approximately $216/unit per year and development fees are estimated at $13,000 per unit. This sale is a low indication of value for the subject's multi-family land.

Comparable 4. This comparable represents an arm's length transaction of the fee simple interest of a net useable area of 18.9-acre parcel backing up to a sloping wetlands area. Bonds of approximately $550/unit per year were assumed. (Bonds have not yet been assigned, however, the site is subject to CFD 1, 2, 3, and the School bonds. CFD 1 is on-going at a minimal $70 per unit per year. CFDs 2 and 3 expire in 2012 and 2015, respectively. The School bonds go up 3% annually and expire in 2015.)

This property is in the general-planned community of Stanford Ranch. Location is good and the project realizes the benefits provided by the bond improvements and the planned community area. The buyer is developing a 344-unit housing apartment complex on the site. This comparable's location and adjacent amenities are similar to the subject.

Comparable 5. This comparable represents an arm's length transaction of the fee simple interest of a 28.0-acre parcel zoned PD-20 for 20 units per acre. This site reportedly closed in February 1998 for $2,486,000. Bonds were assumed. Bonds are estimated to be $570/unit per year and development fees for Rocklin are estimated at $14,000/unit. (Bonds have not yet been assigned; however, the site is subject to CFD 1, 2, 3, and the School bonds. CFD 1 is on-going at a minimal $70/ year. CFDs 2 and 3 expire in 2012 and 2015, respectively. The School bonds go up 3% annually and expire in 2015.)

The property is located in the planned community of Stanford Ranch. The immediate neighborhood is relatively new with average-quality single-family homes and retail commercial in good condition. Oracle Corporation has just completed their first 100,000 SF administration building at the northeast corner of Sunset and West Oaks Boulevards. This comparable's location and adjacent amenities are good.

Additional Market Data. There were very few multi-family land sales during the early 1990s due to low rents, high vacancies and concessions required to attract tenants. The construction that did occur involved projects that were financed under subsidized programs, or low income tax credits. However, during the last year, the market has substantially changed. The following table outlines some multi-family land sales currently in escrow, or that have recently closed.

CLOSED MULTIFAMILY LAND SALES					
Location	Acres	Total Units Units/Acre	Price	Bonds	Status
Lot 3 of Stanford Ranch (017-350-003), Rocklin Buyer- Randall Realty (Mark Morgan 961-3691)	10.54	174 16.5	$94,877/Acre $5,747/Unit	Mello Roos $565/Unit/ Year	Closed December 1998
Lot 6B of Stanford Ranch (017-350-013), Rocklin Buyer- Stamas Corporation (783-0330)	14.75	236 16.0	$83,200/Acre $5,200/Unit	Mello Roos $565/Unit/ Year	Escrow, Contract 2/97 Slightly sloped
South side of East Roseville Parkway (Ptn. of NCRSP Parcel 20, Ptn. of 363-010-001) Roseville	34.43	600 17.5	$109,524/Acre $5,500/Unit	Mello Roos $570/Unit/ Year	Closed Fall 1998

The following parcels within the CFD are being marketed:

Parcel 21B - This multifamily 8.66 acre site will accommodate 149 units. According to Stephen Thurtle, a contract is currently being negotiated at $7,500 per unit or, including bonds, $11,500 per unit.

Parcel 42B - This 15 acre multifamily parcel will accommodate 300 units. The contract is currently being negotiated at $7,500 per unit or, including bonds, $11,500 per unit.

The growth areas of Rocklin and Roseville have experienced additional apartment land sales activity in the past year. Many of the sales in the area were not used as reliable indications of value for the subject property because pertinent details relating to the transactions could not be confirmed or the terms were not representative of market. For example, the 17.72-acre Antelope Creek Apartments site in Roseville was purchased on May 5, 1997, for $3,500 per unit or $1,176,000. However, the buyer, Grupe Development Corp., has a joint venture agreement with the owner of the land and therefore, the purchase was not an arm's-length transaction.

The following transactions are provided to give the reader additional market information. Because details surrounding the transactions are still unknown, or could not be disclosed, these sales are presented more to demonstrate market activity than to directly determine subject values.

- Stanford Ranch, LLC, currently has an 11.69-acre site under contract to Lexington homes. This site is located at the southwest corner of Stanford Ranch Road and Stoney Road and identified as Parcel E in Stanford Ranch. In early 1997, the buyer entered into an agreement to purchase the site for between $6,400 and $6,700 per unit based on 164 total units. This project has a lower project density of 14 units per acre and a lower bond obligation in comparison to other multi-family land sales in Stanford Ranch which resulted in a higher reported price on the per unit basis compared to the other sales in the area.

- On Jan. 17, 1997, the Spanos Corp. acquired two adjacent parcels containing 18.9 acres within the Highland Reserve master planned community. The sales price was confirmed at $220,000 or slightly under $1,000 per apartment unit based on the proposed project size of 230 units. While unconfirmed, it was reported that the buyer was also responsible for payment of delinquent bond balances on these parcels. The bond balance on the project as of June 1997 was approximately $600,000. Development of this site had several challenges including a Creek which runs through the property and high affordability requirements imposed by the city. The relatively low purchase price indicates there may be other issues that are unknown.

- Located in the West Roseville area along Foothills Boulevard is a 13.8-acre site ready for development of a 185-unit apartment project. The developer is reportedly in escrow to purchase the site at slightly less than $4,500 per unit. This relatively low unit price is reportedly a function of higher than typical site development costs due mitigation measures for a creek which runs through the site. The site is also encumbered by bonds equating to approximately $216 per unit annually.

Pending North Natomas Transactions. Grupe is in escrow for 296 apartments in two buildings at the intersection of Truxel Road and Stadium Boulevard, just south of Arco Arena. Called Arena Commons the project would be gated, featuring apartments from 800 to 1,300 square feet.[12] They would rent for about $1 per square foot, the usual market rate for higher end complexes. Amenities include a recreational facility, swimming pool, pond and walking trail. The project would adjoin a community park. This deal is anticipated to close in September/October of 1998. Sources indicate an escrow price of $7,000 per unit based on 18 dwelling units per acre ($126,000 per acre). Multifamily is allowed in EC 40.

For its second apartment proposal, Grupe is buying 80 acres across west of Interstate 5, north of Stadium Boulevard, from Gateway West. The zoning allows for 272 multi-family units, 256 single family lots (65' x 110' and 45' x 110' lots) for a total of 518 dwelling units. A portion of this project includes 24.5 acre lake. The reported price per acre is $60,000. The multifamily design would cater to family renters.

Michael Winn, director of community planning for Lennar Communities, reports that 23 acres of high density residential land located in Parkway Plaza is currently in escrow. This escrow is based on 516

[12]Business Journal, May 29, 1998

dwelling units (22 DU/Acre), at $6,589 per unit for a total purchase price of $3,400,000. The number of dwelling units represents the target density allowed by zoning and may vary depending on the final approval. The property is located west of the east drain, north of Del Paso Boulevard, and east of Truxel Road.

David Bugatto of Alleghany Properties reports a multifamily site is in escrow for $6,944 per unit or $125,000 per acre based on 18 dwelling units per acre. Although the property has been marketed, Mr. Bugatto felt that the deal was below market and represents a discount to attract multifamily development.

Summary of Value Indicator for High Density Multi-Family Residential Land. Sales 4 and 5 require bond adjustments. Using a present value discounting of the bonds on a semi-annual basis for 17 years at 8% results in an estimated adjustment of $5,063 for Sale HD-4 and $5,250 for Sale HD-5. The following table arrays the comparable sales:

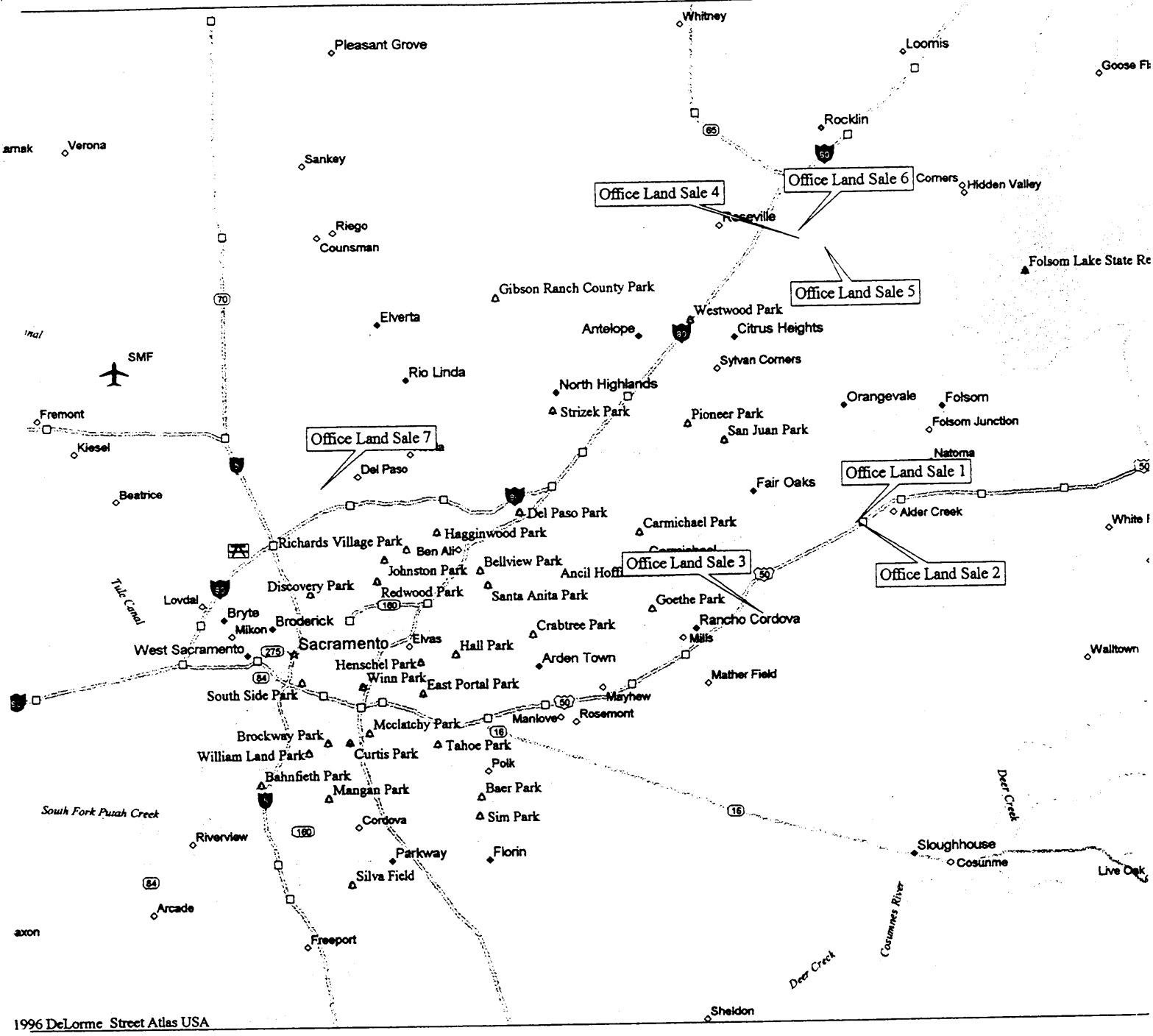
Comparable	$/Unit	Comparability	Dwelling Units / Acre
HD-1	$10,250	Similar	10
HD-2	$10,417	Similar	18
HD-3	$8,294	Inferior	17
HD-4	$10,563 ($5,500+ $5,063)	Similar	18
HD-5	$10,750 ($5,500+ $5,250)	Slightly Superior	16

The sales comparables indicate a range in value per unit of $8,294 to $10,750 per unit based on a market driven density primarily ranging from 16 to 18 dwelling units per acre. Pending escrows in Highland Reserve indicate a price per unit of $11,500 unit. After considering the overall availability of land throughout the area for the average to above average apartment product that we expect to be in demand in the North Central Roseville area, and after considering the proposed bond structure and the comparable data, we conclude that the retail price per unit for the subject base value is $10,000 per unit, based on a density of 20 dwelling units per acre ($120,000 per acre).

This value is applied to all of the properties of this type in the CFD in order to determine their retail values.

Business and Professional Land. The locations of various comparable sales utilized in the BP analysis are shown on a map on the following page, and described thereafter.

OFFICE LAND SALES MAP



OFFICE LAND SALES SUMMARY

NO.	LOCATION	SALE	ZONING	SIZE	SALE	PRICE
O-1	12100 Tributary Point Drive, Rancho Cordova; APN: 069-0650-014	5/98	SC	2.90	$689,339	$5.46
O-2	12150 Tributary Point Drive, Rancho Cordova; APN: 069-0650-012,013	1/98	SC	5.752	$1,367,000	$5.46
O-3	Gold Canal Drive, South of Sun Center Drive, Rancho Cordova; APN: 072-0480-024	11/97	MP	2.05	$268,000 Bonds $ 28, 575 $305,505	$3.00 Bonds+0.32 $3.32
O-4	Eureka Centre, Phase II, Northeast quadrant of Eureka Road and Douglas Blvd., Roseville; APN: 459-010-008	7/97	BP	2.4	$523,000 Bonds 204,906 $727,906	$5.00 Bonds+1.96 $6.96
O-5	Johnson Ranch Office Site, 1741 East Roseville Parkway, Roseville; APN: 048-160-045	11/96	BP	1.5	$235,000 Bonds 30,000 265,000	$3.60 Bonds+0.46 $4.06
O-6	Eureka Centre, Phase I, 1663 and 1677 Eureka Road, Roseville; APN: 459-010-009	10/96	BP	1.56	$374,000 Bonds 133,190 507,190	$5.50 Bonds+1.96 $7.46
O-7	N. Market Blvd., W. of Vista Park, Sacramento; APN: 225-0941-001	8/97	MP	19.4	$1,750,850	$2.07 Rezone $0.07 $2.14

HISTORIC OFFICE LAND COMPARABLES

NO.	LOCATION	SALE DATE	ZONING	SIZE (ACRES)	SALE PRICE/BONDS	PRICE PER SF
O-8	Confidential	4/97	OB-PUD	10.90	$2,988,000	$6.30
O-9	East side of Capital Center Drive, north of International Drive, Rancho Cordova; 072-0690-035 & 040	2/95	MP	8.96	$1,658,395 233,605 $1,892,000	$4.85
O-10	Northwest quadrant of Garden Highway and Gateway Oaks Drive, Sacramento; 274-0320-069	12/94	OB	33.735	$4,400,000 1,200,000 $5,600,000	$3.81
O-11	SWC of National Drive and Vista Park Court, Sacramento; 225-0944-060	2/94	MP	9.00	$1,144,756 11,761 $1,156,517	$2.95
O-12	South of Bond Road, West of Highway 99, Laguna 116-0860-006 (portion), 007, 008	1/94	MP	1.70	$444,558 63,685 $508,243	$6.86

Comparable 1. This 2.9 acre site is located in Tributary Point, a planned development in Rancho Cordova. The buyer, Curtis Westwood, owns the adjacent property. The site was purchased for the construction of two multi-story office buildings (low-rise) containing approximately 82,500 square feet each. At the time of sale, the property was partially improved (rough grading only) with all off-site improvements in place.

This comparable is location along the Highway 50 office corridor in a planned development. It has excellent visibility from Highway 50 as well as visibility from Tributary Crossing, the connecting arterial to Gold Country Boulevard. The site is relatively level. Freeway access is good. Overall, this comparable is considered a high indicator value because of its freeway access and visibility.

Comparable 2. This 5.752 acre site is located in Tributary Point, a planned development in Rancho Cordova. The buyer, Curtis Westwood, owns the adjacent property. The site was purchased for the construction of multi-tenant office buildings. At the time of sale, the property was partially improved (rough grading only) with all off-site improvements in place.

This comparable's location along the Highway 50 office corridor in a planned development. It has excellent visibility from Highway 50 as well as visibility from Tributary Crossing, the connecting arterial to Gold Country Boulevard. The site is relatively level. Freeway access is good. Overall, this comparable is considered a high indicator value because its freeway access and visibility.

Comparable 3. This 2.05 acre site is located on Gold Canal Drive, south of Sun Center Drive in Rancho Cordova. The buyer, California Energy Exchange Corporation, purchased the property for the construction of an approximately 17,175-square-foot headquarters building. The property was not listed on the market at the time of sale, and was acquired relatively quickly. At the time of sale, the property was partially improved (rough grading only) with all off-site improvements in place.

This property has good visibility from Sun Center Drive, a secondary arterial. Topography is relatively level. It is adjacent to the existing Federal Express Building and is adjacent to other office development in the park. The parcel abuts a drainage canal to the east.

Comparable 4. This property is located on Eureka Road, a secondary arterial leading from Douglas Boulevard in the Roseville market. The Douglas Boulevard office development continues to expand with Class A buildings, strong rents, and little vacancy. This property is located just north of Douglas Boulevard, with good quality office building continuing to be developed. Access is "right in, right out" from Eureka Road or from Douglas Boulevard and the adjacent bank's parking lot. The site has been developed with a two-story office building currently occupied by TRI Commercial (1687 Eureka Road).

Comparable 5. This site required grading, sidewalks, curbs and gutters and top soil at a cost estimated of $30,000 for a finished site. The sale was negotiated in a weaker market with a motivated seller who wanted all cash. The property was a remainder parcel from the adjacent Foundation Health sale, and medical uses are prohibited. The site also has a high-tension power line in front. While the gross area

is 2.5 acres, the net useable area is 1.5 acres. Financial Title Company is the user of this single story building. It has a corner location with access limited to the southern secondary arterial.

Comparable 6. This comparable site has been divided into three parcels and three office buildings have been developed north of Douglas Boulevard, on the east side of Eureka Road. It is located in the Eureka Centre, Phase I business park. Both office developments are complete with tenants. The proposed building sizes total 17,700 square feet or $28.65 per square foot of building area. It appears the site has mutual access and parking agreements given the configuration, ingress and egress between the buildings. This comparable is considered superior to the subject because of its location along the Douglas corridor. Rents are higher, vacancy lower, and overall, this market segment is very strong.

Comparable 7. This 19.4 acre site is located on North Market Boulevard, west of Vista Park in Sacramento. The buyer, Security Trust Company, purchased the site for investment purposes. At the time of sale, the property was partially improved with off-site improvements in place. The property sold "As Is" with an agricultural zoning. The cost associated with rezoning the parcel is $60,000 and an estimated six to eight months. The buyer's purchased the property a speculative office site, with an anticipated hold period. Surrounding uses include incubator industrial and newer office development along Sports Lane. This comparable is presented for informational purposes only.

Summary of Base Value Indication for Office Land. The best comparables for the subject are Comparables 0-5 at $4.06 per square foot and O-1 and 2 at $5.46 per square foot, representing a more recent sale with Highway 50 freeway visibility. Comparable O-5 ($4.06 per square foot of land, and $17 per square foot of proposed building) was a transaction in a weaker market, and the site had high-tension power lines in front. This comparable establishes the low end of the range. Comparables 1 and 2 represents sales in 1998 of properties located at Hazel Avenue and Highway 50. Each of these parcels has freeway exposure and good freeway access. The price per square foot of building area equates to $16.67. They establish the high end of the range. Given the abundance of developable land in the Greater Sacramento area, and the subject's location in the Roseville market, a value slightly below the middle of the range of $4.50 per square foot of land (about $17 per square foot of possible building) or $185,000 per acre is concluded. This value is then adjusted upwards for the high F.A.R. categories. This trend is consistent with historical experience; downtown high rise land, for instance, has sold historically at prices in the $12 to $20 per square foot of building permitted.

The Floor Area Ratio is defined as the relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, it is often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area; it is also called the building-to-land-ratio. The office component land uses implies a building-to-land ratio of 0.30[13].

[13]Hausrath Economics Group includes over 200 acres of land zoned Business Professional (office) use, representing a development capacity of about 2.6 million square feet. This indicates a building-to-land ratio around 0.30.

Comparables O-1 and O-3 indicate a price per buildable foot ranging from $16.00 to $18.00. Applying the F.A.R. indicates the following land values per category:

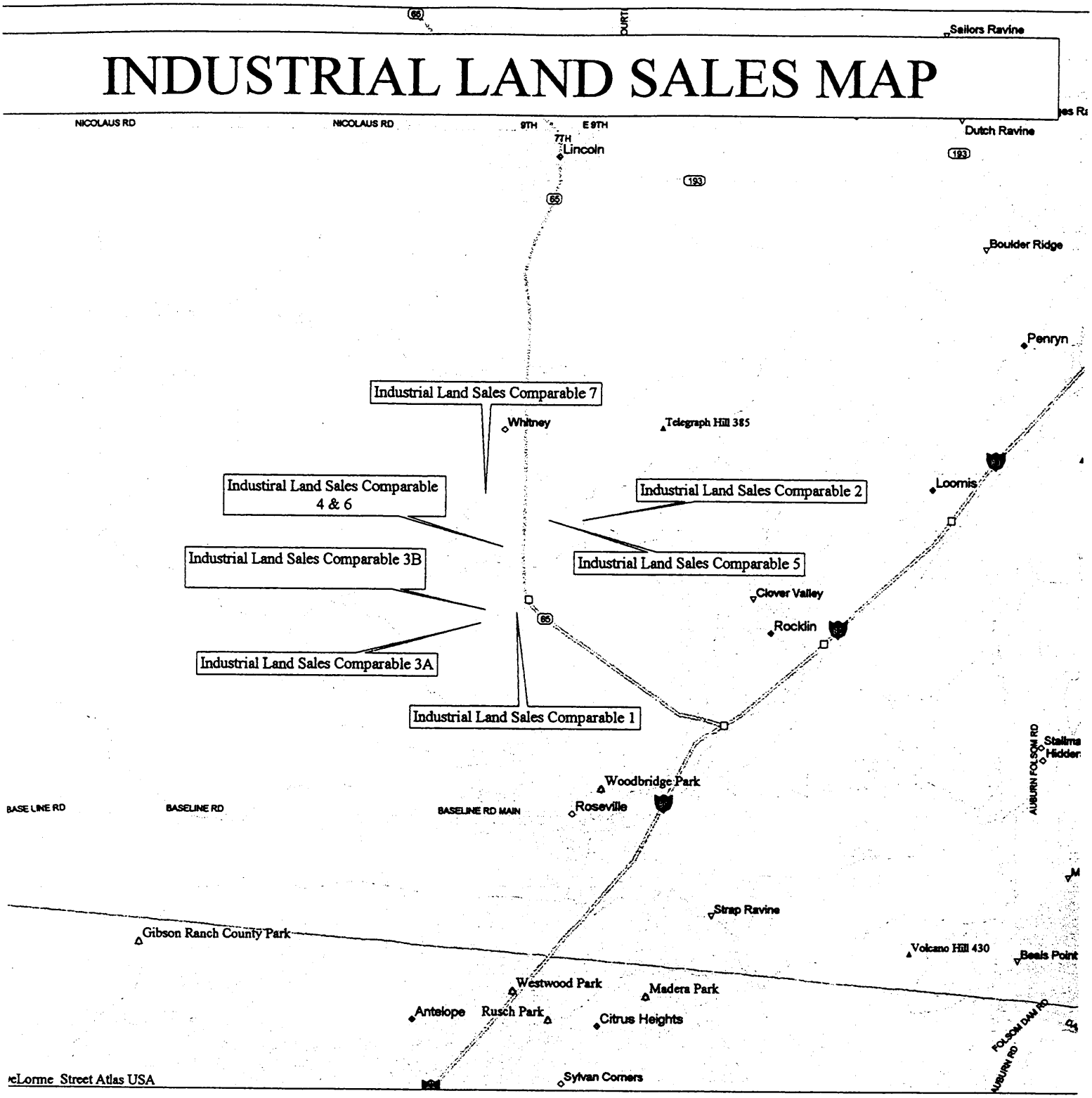
F.A.R	Price Per Building SF	Indicated Value
0.30	$16 - $18	$4.80 - $5.40
0.32	$16 - $18	$5.12 - $5.76
0.31	$16 - $18	$4.96 - $5.58
0.34	$16 - $18	$5.44 - $6.12
0.37	$16 - $18	$5.92 - $6.66
0.47	$16 - $18	$7.52 - $8.46

The base land value for the office category is concluded at $5.00 per square foot, with upward adjustments for Parcels 42 and 43 due to their freeway visibility.

This value is applied to all of the properties of this type in the CFD in order to determine their retail values.

Industrial Land. The locations of various comparable sales utilized in the industrial land analysis are shown on a map on the following page, and described thereafter.

INDUSTRIAL LAND SALES MAP



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Local Road	Small Town	Exit
Major Connector	Summit	County Boundary
State Route	Geographic Feature	Population Center
Primary State Route	Park/Reservation	Water
Interstate/Limited Access	Locale	Woodland
Utility/Pipe	City	River/Canal
Railroad	Public Airport	

INDUSTRIAL LAND SALES SUMMARY

NO.	LOCATION	SALE	ZONING	SIZE	SALE PRICE	PRICE/SF
I-1	8801 Washington Blvd., Roseville APN: 017-113-009	5/98	M2	38.5	$1,850,000 + Bonds $ 35,000 $1,885,000	$1.10 + Bonds $0.02 $1.12
I-2	NS of W Stanford Ranch Rd., Rocklin APN: 017-081-019, 028, 027	1/97	PD-LI/BP	35.4	$2,066,000 + Bonds $925,200 $2,991,200	$1.34 + Bonds $0.60 $1.94
I-3A	SEC Foothills Blvd. & Albertsons Dr., Roseville APN: 072-0480-023	12/97	M1	7.09	$580,000 + Bonds $ 27,000 $607,000	$1.88 + Bonds $0.09 $1.97
I-3B	SEC Foothills Blvd. & Blue Oaks, Roseville APN: 459-010-008	12/97	M1	10.12	$800,000 + Bonds $ 40,000 $840,000	$1.82 + Bonds $0.09 $1.91
I-4	NS of Tinker Road, Rocklin APN: 017-300-080 & 079	12/97	INP-DC	12.47	$815,000 + Bonds $0 $815,000	$1.50 + Bonds 0.00 $1.50
I-5	Lot 17 Atherton Road, Rocklin APN: 017-280-060	5/97	INP-DC	2.20	$262,667 + Bonds $ 30,666 $293,333	$2.74 + Bonds $0.32 $3.06

HISTORIC INDUSTRIAL LAND COMPARABLES

NO.	LOCATION	SALE DATE	ZONING	SIZE (ACRES)	SALE PRICE/BONDS	PRICE/SF
I-6	1111 Tinker Road, Rocklin APN: 017-300-071	6/96	INP-DC	4.25	$394,000	$2.13
I-7	NEC Sunset Boulevard & Cincinnati Avenue, Rocklin APN: 017-070-003 -009	12/96	INP-DC	10.8	$500,000	$1.06

Comparable 1. This 38.5-acre site is located in the Roseville North Industrial Planning Area south of Blue Oaks Boulevard on the west side of Washington Boulevard and the east side of Industrial avenue. All utilities are at or near the site. The parcel is mostly level and rectangular in shape with frontage on Washington Boulevard.

The buyer has obtained approvals for a three-phase project totaling 444,000 square feet on 28.4 acres (FAR 35.9% and a price per building area of approximately $3.12/SF). The fourth phase will consist of 7.46 acres and an unspecified amount of future industrial space. The property is known as the Roseville Parkway Industrial Center.

Comparable 2. This property sold to major software user (Oracle Corporation) who recently completed the first 100,000-square-foot building. The property has frontage at a signalized corner on the major thoroughfare (Sunset Boulevard) in the 3,500-acre Stanford Ranch planned Community. The planned 460,000-square-foot office complex site also has excellent frontage on West Stanford Ranch Road. The property had site improvements including sidewalks, curbs, and gutter, street lights, and underground utilities along Sunset Boulevard. The site is visible, easily accessible with level to gently undulating topography. The zoning is considered flexible and it allow industrial , office, and commercial uses.

Comparable 3. This property is the frontage remainder that Albertson's warehouse facility purchased in the 1980s and did not need. It has been available for many years. These comparables are northwest of the subject area at the southeast corner of Blue Oaks Boulevard and Foothills Boulevard, north of the Hewlett Packard facility and in front of the Albertson's distribution warehouse. The buyer intends to build a light industrial/ high-tech business park. All site improvements including curbs, gutters, street lights, underground utilities are in-place for both parcels. The buyer purchased the property with the assumption of improvement bonds.

The intended uses for the sites include the development of a service station and four light industrial buildings totaling 92,000 square feet for 3B and a light industrial building with 96,000 square feet for 3A (for 3A- FAR 31% and a cost per building area of $6.32/SF).

These properties sold in December of 1997 for an unencumbered price of $1.97 and $1.91 per square foot, respectively. The smaller parcel sold at a slightly higher unit indicator, however, the larger parcel has superior visibility at the signalized intersection of Blue Oaks and Foothills Boulevard. Blue Oaks has an interchange off Highway 65 to the west giving these properties good access.

Comparable 4. The property closed escrow for approximately $1.50 or $815,000 as verified by the developer. However, a $40,000 payment was reimbursed to the buyer at the close of escrow for wetlands mitigation undertaken during the entitlement process. This reimbursement adjusts the price paid to approximately $1.43 per square foot. The negotiated price of $1.50 reflects the construction-ready site after mitigation of the wetlands.

The buyer developed the site with a 200,000 square foot warehouse building leased to Contract Transportation Service trucking company indicating a price per building area of $4.08/SF and an FAR of 36.8%.

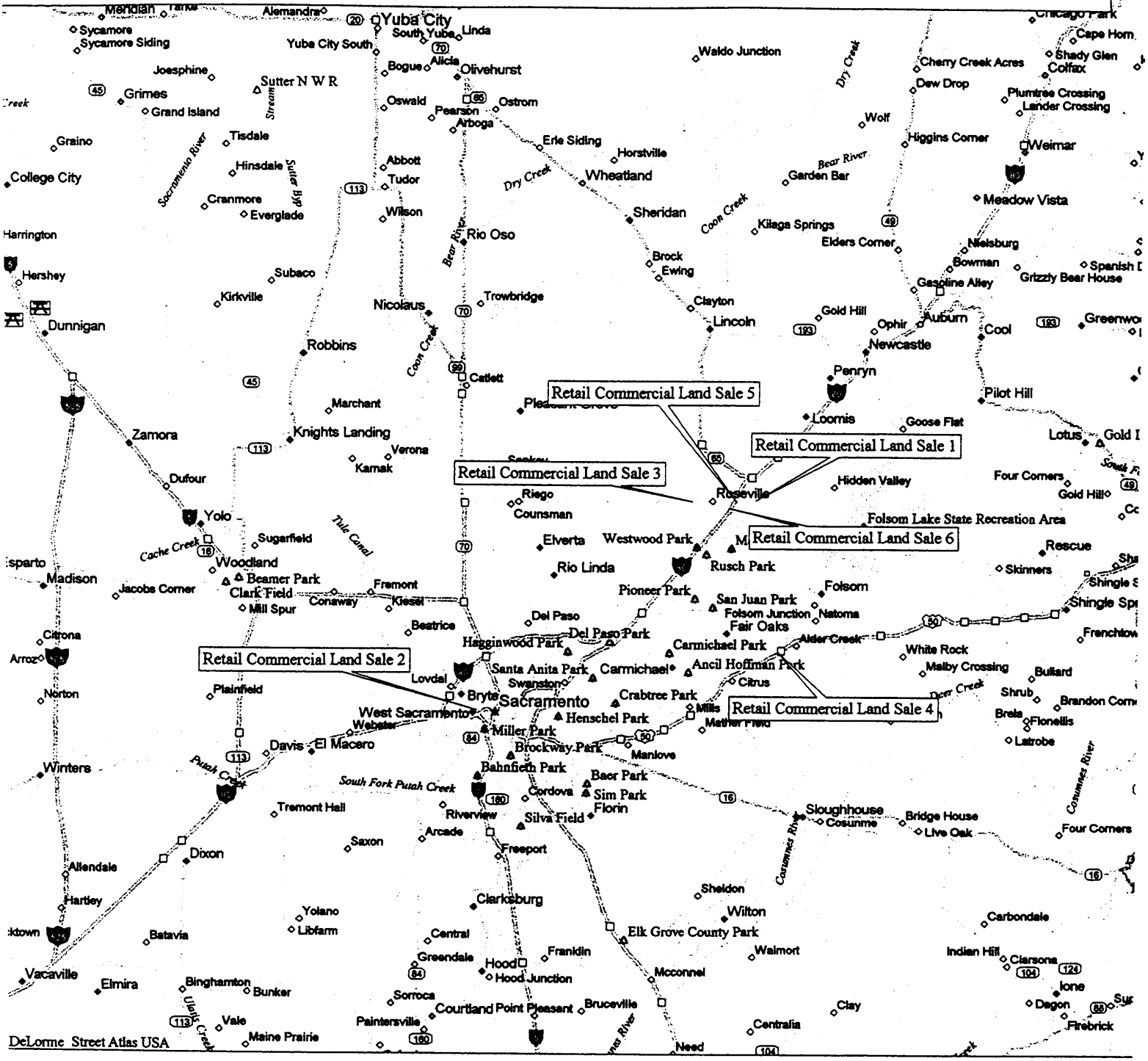
Comparable 5. The buyer intends to build a two-story office building with approximately 25,000 SF. (Price per building SF is $11.73 and FAR is 26.1%.) Highly visible site at the intersection of Atherton Road and Menlo Drive. (Placer County Building Department had not received a building permit application. However, Larry Kelly reported that the plans have received Stanford Ranch design review approval.)

Summary of Base Value Indication for Industrial Land. The best comparables for the subject are the larger lot sales from $1.12 to $1.97 per square foot. These sites can accommodate large-scale developments. Due to the subject's good visibility and access along the Highway 65 corridor, a value estimate near the upper end of the range at $1.90 per square foot or $82,764 per acre.

This value is applied to all of the properties of this type in the CFD in order to determine their retail values.

Retail Land. The locations of retail comparable land sales are shown on a map on the next page, and described thereafter.

RETAIL COMMERCIAL LAND SALES MAP



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Major Connector	☆ State Capital		Population Center
State Route	◆ Small Town		Land
Primary State Route	◇ Large City		Water
Interstate/Limited Access	Park/Reservation		River/Canal
Rest Area with facilities	◇ Locale		Intermittent River
□ Point of Interest	◇ City		
○ County Seat	□ Exit		

RETAIL COMMERCIAL LAND SALE SUMMARY

NO.	LOCATION	SALE DATE	ZONING	SIZE (ACRES)	SALE PRICE/ BONDS	PRICE PER SF
RC-1	SW Eureka Road, west of Rocky Ridge Drive, Roseville APN: 048-450-067	2/98	C3PD	17.4	$6,000,000 Bonds: $756,738 $6,756,738	$7.92 Bonds: $1.00 $8.92
RC-2	821 Jefferson Boulevard, West Sacramento APN: 067-310-12-1,13-1	10/97	C2	1.7	$760,000	$10.42
RC-3	Foothills Boulevard., North of Baseline Road, Roseville APN: 017-290-023	9/97	CC	1.2	$452,153 Bonds: $83,635 $535,788	$8.65 Bonds: $1.60 $10.25
RC-4	12171 Tributary Lane, Rancho Cordova APN: 069-0650-011	12/97	SC	1.6	$543,000 Bonds: $142,180 $685,180	$7.64 Bonds: $2.00 $9.64
RC-5	North Sunrise Avenue, North of Lead Hill Boulevard, Roseville 048-450-040	8/97	PCD	3.8	$1,660,000 Bonds: $206,910 $1,866,910	$10.03 Bonds: $1.25 $11.28
RC-6	Harding Boulevard, North of Douglas Boulevard, Roseville 013-212-018	10/97	C2	3.2	$970,000	$6.96

HISTORICAL RETAIL COMMERCIAL LAND SALES

No.	Location	Date of Sale	Zoning	Size (Acres)	Price	Price Per Sq. Ft.
RC-7	Southeast corner of Foothills Boulevard and Main Avenue, Roseville 012-010-043	5/98	C-2	7.300	$2,000,000	$6.29
RC-8	Northwest corner of Foothills Boulevard and Pleasant Grove Boulevard, Roseville 477-080-005	5/97	CC	10.600	$900,000 Bonds $738,775 $1,638,775	$1.95 Bonds $1.60 $3.55
RC-9	Northeast corner of Elk Grove Boulevard and Laguna Springs Drive, Elk Grove 116-0070-041	10/96	LC	3.550	$655,000 Bonds $85,667 $740,667	$4.24 Bonds $0.55 Total $4.79
RC-10	Northeast quadrant of Interstate 80 and Horseshoe Bar Road, Loomis 043-100-0031, 032, 033, 034	1/96	SC	7.719	$2,275,000	$6.77

HISTORICAL RETAIL COMMERCIAL LAND SALES

No.	Location	Date of Sale	Zoning	Size (Acres)	Price	Price Per Sq. Ft.
RC-11	Northeast corner of Laguna Boulevard and Bruceville Road, Elk Grove 116-0012-024, 027 (portion of)	10/95	SC	6.410	$1,814,927 Bonds: $153,572 $1,968,499	$6.50 Bonds: $0.55 $7.05

Comparable 1. This 17.397 acre site is located on southwest Eureka Road, west of Rocky Ridge Drive, Roseville. The buyer, Car Max, purchased the property for the construction of an auto dealership facility. Car Max is affiliated with Circuit City electronics retail chain. The property was listed on the market for approximately one year. All off-site improvements were existing at the time of the sale. With the exception of grading work to be completed, the site was ready for building.

This comparable has frontage on two major arterials, Eureka and Rocky Ridge Road. It is located just outside the successful Roseville Automall.

Its size is larger than most anticipated uses for neighborhood commercial. It is rectangular in shape, and fronts three streets having no freeway exposure. No extraordinary site preparation was required.

Comparable 2. This 1.674 acre site is located at 821 Jefferson Boulevard, West Sacramento. The buyer, Walgreen Co., purchased the property for the construction of a Walgreens store. The property was listed on the market for approximately two years. There was, apparently, an old Standard gas station on the site. Standard is required to monitor toxics and hydrocarbons, and is responsible for anything stemming from such, this had no effect on the value. The original asking price was over-priced at $14.00 per foot. The final selling price was based on $10/SF times 76,000 SF approximation. All off-site improvements were in place at the time of the sale.

It is located on the signalized southeast corner of West Capitol Avenue and Jefferson Boulevard, two major thoroughfares in the West Sacramento area. The adjoining parcel is developed with an unanchored neighborhood retail strip center. Adjacent uses include a Blockbuster Video on the northeast corner and older retail uses on the northwest and southwest corners of this intersection.

Comparable 3. This 1.2 acre site is located on Foothills Boulevard, north of Baseline near the intersection of Foothills and Junction Boulevards. The buyer, Mirage Development Corp., purchased the property for the construction of a preschool/daycare facility. The property was not listed with a regular brokerage house, but was marketed by Stanford Ranch, and the buyer and seller entered into contract well before the Stanford Ranch development was complete. At the time of the sale, there were

no off-site improvements in place. Access is from the adjacent Junction Crossroads Shopping Center anchored by Alberton's.

Comparable 4. This 1.632 acre site is located west of Hazel Avenue in the Rancho Cordova area. It has excellent visibility from the freeway and is located within close proximity to the Highway 50 interchange. Traffic count is estimated at approximately 47,000 cars per day along Hazel Avenue. Many of the parcels had been exposed to the market over an extended period of time. The sale price was contingent upon plan approvals for a retail building.

The offsite improvements were installed through a bond issue. According to the broker, these bonds are $2.00 per square foot. This property is adjacent to Lazy-Boy Furniture Galleries and California Backyard, across from a high-end apartment complex currently under construction. This corner parcel is located at the southwest corner of Tributary Point Drive and the western terminus of Tributary Lane (circle), with frontage on two sides. A power line is adjacent to the subject, and runs about mid-line down Tributary Lane (it appears that it was re-routed during an earlier phase of development to minimize building impacts.)

Comparable 5. This 3.8 acre parcel was purchased in the strong Roseville market. It has freeway visibility, all curbs and offsite improvements installed. The broker states bonds are estimated at $1.25 per square foot. Comp USA proceeded to construct a free-standing retail store at 1251 Led Hill Boulevard.

This parcel is accessible from Lead Hill Boulevard. It is adjacent to the existing Office Max and Pet Smart stores. The property enjoys freeway exposure from Interstate 80, and currently exposure from North Sunrise Avenue. The pad site bordering North Sunrise Avenue, located in front of this comparable is undeveloped.

Size is considered typical for this type of use. It size is rectangular, has limited frontage toward Lead Hill Boulevard and freeway exposure. This level site was ready for development with no extraordinary site costs. Its location in the Roseville market is superior to the subject. Overall, this comparable is a high indication of value for this land use category.

Comparable 6. The buyers developed The Antique Trove, and have other antique malls throughout California. Their site selection criteria was very specific. They searched for a parcel in an older part of town, with freeway exposure. The existing 40,000 SF retail building is a destination use. Development along Harding includes older retail uses. Access to the property is from a major thoroughfare, Harding Boulevard. It enjoys excellent freeway visibility.

Its size is typical of this use, it is rectangular in shape, and level. Its location in an older market area is inferior. Frontage is along Harding Boulevard and it enjoys freeway exposure. According to the buyer, the freeway exposure was the principal reason for its purchase.

The following table summarizes the comparable's attributes:

QUALITATIVE ADJUSTMENTS TO THE RETAIL LAND COMPARABLES							
Item	Subject	RC-1	RC-2	RC-3	RC-4	RC-5	RC-6
Offsites	None	All	All	None	All	All	All
Size	1-2 Ac 3-4 Ac	17.39	1.67	1.20	1.63	3.80	3.20
Shape	***	Rectangle	Rectangle	Rectangle	Slt. Rectangle	Rectangle	Rectangle
Frontage	No Freeway	2-Sides	2-Streets	None	2-Street Freeway	2-Streets Freeway	1-Street Freeway
Topography	Level	Level	Level	Level	Level	Level	Level
Location	Average	Superior	Inferior	Superior	Similar	Superior	Inferior
Adjacent Uses	***	Auto Sales	Develop-ment	Shopping Center	Master Plan	Retail Develop-ment	Older Retail
Use	Retail	Auto Sales	Walgreens	Pre-School	Furniture	Comp USA	Antique Sales
Exposure (Freeway)	None	None	None	None	Yes	Yes	Yes
$/SF	***	$8.92	$10.42	$10.25	$9.64	$11.28	$6.96

Summary of Base Value Indicator for Retail Commercial Land. Four of the six comparables are located in the Roseville market. Retail land sales have become prevalent in this area due to the strong residential growth Roseville continues to enjoy. Comparables RC 2, 3 and 4 are used to establish the value of the Neighborhood Convenience Commercial land use category, and Comparables RC 1, RC 5 and RC 6 category establish the high end of the range and are more analogous to community commercial land uses.

Neighborhood Commercial (NC): The neighborhood center is intended to serve residential areas providing for convenient retail and personal service facilities. Tenants may include dry cleaners, bakeries, a barber/beauty salon, a florist, a coffee shop, a newsstand, photocopy service, auto service, bike services, liquor store, etc. Similar, typical traditional zoning designations within the City and County would include C-1 and C-2. This land use category with the retail price per square foot for the subject base value concluded to be $8.00 per square foot or $350,000 per acre.

Community Commercial (CC): This primarily auto-dependent use is located at interchanges of the freeway system and provides services for highway users, as well as the community. Service stations, restaurants, and lodging are appropriate uses for these areas. Similar, typical traditional zoning designations within the City and County would include HC. The comparables for this land use category are presented in the next section.

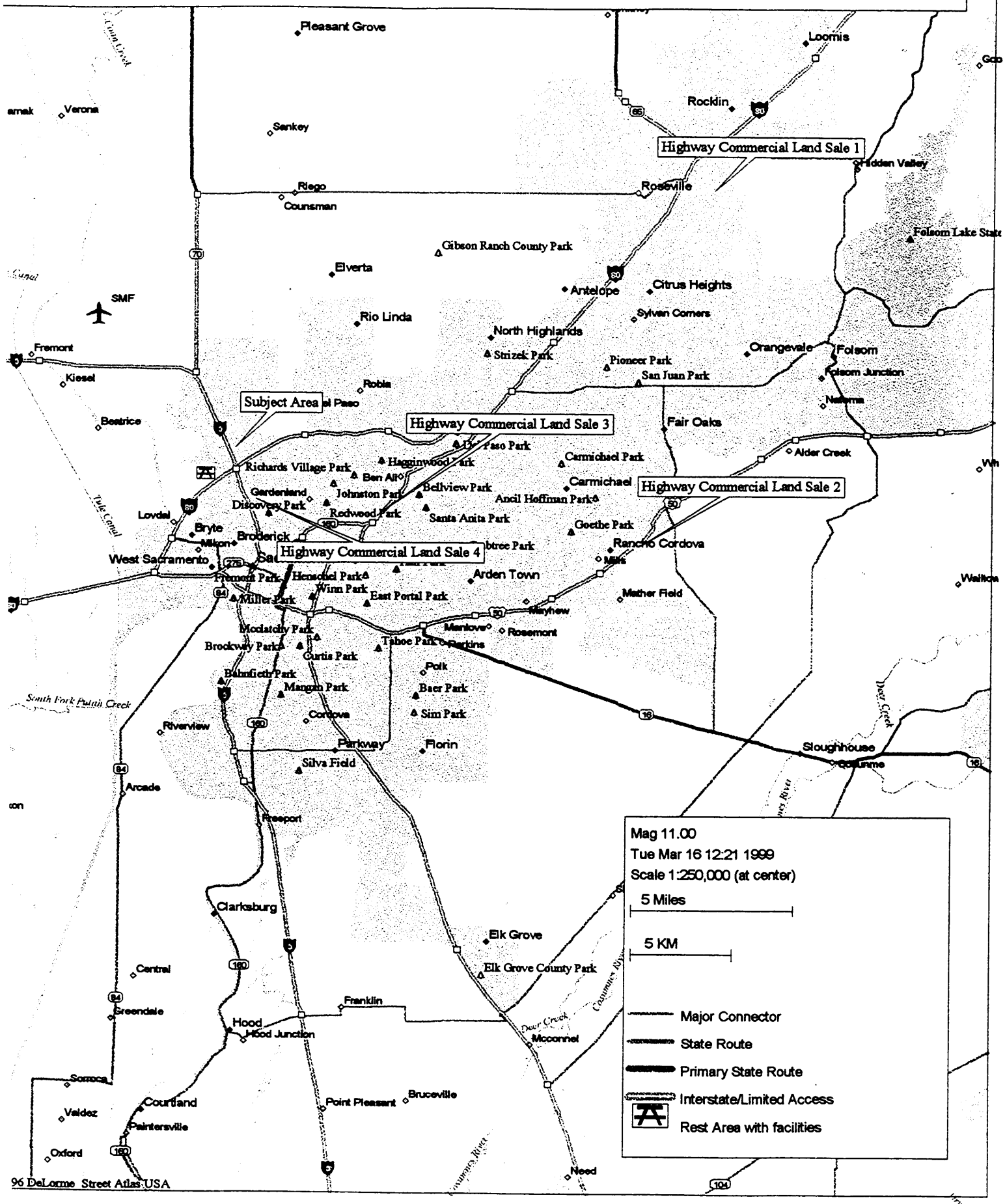
The following table summarizes the base retail land values:

Use	Price per SF	Price Per Acre
Neighborhood Commercial	$8.00	$350,000
Community Commercial	$13.00	$570,000

This value is applied to all of the properties of this type in the CFD in order to determine their retail values.

Community Commercial Land. The location of Community Commercial Land comparables are shown on a map on the next page, and described thereafter.

HIGHWAY COMMERCIAL LAND SALES MAP



HIGHWAY COMMERCIAL LAND SALES

NO.	LOCATION	SALE DATE	ZONING	SIZE (ACRES)	SALE PRICE/BONDS	PRICE PER SF
C-1	North east of Zinfandel Drive & White Rock Road, Rancho Cordova; 072-0610-042	3/98	MP	5.37	$1,306,277	$5.58
C-2	2480 Point East Road Rancho Cordova; 058-0270-033	2/98	GC	1.00	$261,360	$6.00
C-3	1505 Eureka Road, Roseville; APN: 048-010-063	9/97	PD	1.27	$700,000 Bonds $105,000 $805,000	$12.65 Bonds $2.41 $15.06
C-4	Prospect Park Drive, North of Gold Center Dr., Rancho Cordova; APN: 072-0610-065	8/97	GC	2.38	$942,000 Bonds $58,000 $1,000,000	$9.09 Bonds $0.56 $9.65
C-5	Arden Way, West of Harvard Street, Sacramento; APN: 277-0153-015	2/97	M2	2.10	$1,300,000	$14.21
C-6	Natomas Park Drive, South of West El Camino Sacramento 274-0042-040	2/97	OB	3.00	$1,633,500	$12.50

HISTORICAL HIGHWAY COMMERCIAL LAND SALES

No.	Location	Date of Sale	Zoning	Size (Acres)	Price/Bonds	Price Per Sq. Ft.
C-7	White Rock Road, West of Zinfandel Dr., Rancho Cordova; 072-0210-101	10/96	M1	2.97	$1,423,105 Bonds $32,058 $1,455,163	$11.00 Bonds $0.25 $11.25
C-8	Rosin Court, East of Freeway 80 Sacramento 250-0010-093	9/96	HC	2.182	$998,000	$10.50
C-9	396 North Sunrise Avenue Roseville 048-450-052	5/96	PDC	1.35	$575,500 Bonds $139,275 $714,870	$9.79 Bonds $2.37 $12.16
C-10	348 North Sunrise Avenue Roseville 048-450-057	5/96	PDC	1.00	$550,000 Bonds $100,995 $650,995	$12.63 Bonds $2.32 Total $14.95
C-11	9146 Harbour Point Drive Sacramento 119-110-077	3/96	TC	1.168	$625,000 Bonds $69,640 $694,640	$12.28 Bonds $1.37 Total $13.65

Comparable 1. This 5.37 acre site is located north of White Rock Road, east of Zinfandel Drive, and south of Gold Center Drive in Sacramento. The property has filtered Highway 50 exposure and is located in an area referred to as the Highway 50 corridor. The buyer, Brown Trout Investments(Prime Hospitality Corporation is an entity of Brown Trout Investments) plans on constructing a six-story, 128-room AmeriSuites hotel. There are already four hotels in the same neighborhood at Zinfandel and 50. This development adds to the more than 2,500 hotel rooms within the corridor. This is a limited-service, all suites hotel. It will not offer food and beverage services. The rooms are larger than a typical hotel and each room has a lounge area with a couch and easy chair, desk, computer ports and kitchenette. This property entered into a nine month escrow while entitlements for development were being secured.

Comparable 2. This 1.00 acre site was purchased for $6.00 a square foot. It is located in Rancho Cordova, with freeway access from Sunrise Boulevard. This property abuts Highway 50 providing excellent freeway visibility. The buyers, ESA 0421, Inc. also purchased the adjacent 1.05 acre parcel for the same price per square foot. The buyers intend to construct a Crossland Economy Studios. This three-story hotel will have 127 rooms. This escrow was for one year while entitlements for the hotel development were being secured.

Comparable 3. This 1.27 acre site is located at 1505 Eureka Road, Roseville. The buyer, Kobra Properties, purchased the property for the construction of a restaurant (possibly Frank Fat's). The property was listed on the market for a little over 1 year. At the time of sale, the property was partially improved (rough grading only) with all off-site improvements in place. The buyer is responsible for any on-site improvements and any off-site improvements needed exclusively for the subject property's use. A common driveway has been proposed of which the owner will be responsible for financial participation.

This development by Vanir Construction is called Century Theater Plaza and will include retail, restaurants and offices. The existing Century Theater, coupled with the partially completed California Backyard provide excellent co-tenants for the site. Exposures along Eureka Boulevard are good. Overhead power lines border the rear of the property.

This comparable's size is similar to the subject. Location in the strong Roseville market is superior. Freeway access is via Eureka Road and is considered average. Visibility is limited to a major thoroughfare. The new surrounding development enhances this restaurant use.

Comparable 4. This 2.38 acre site is located on Prospect Park Drive, north of Gold Center Drive, Rancho Cordova. The buyer purchased the property for the construction of a hotel. The property was actively listed and marketed only for a short period. The broker began receiving inquiries and leads within a month. At the time of the sale, the off-site and/or site work were fully complete, and the site was ready for building.

This property is located on the northwest corner of Prospect Park Drive and Gold Center Drive. The southeast corner of this intersection is the proposed "Prospect Green" complex, with 5 Class A office buildings planned on a 3 ½ acre park. They are advertising on-site child care, retail, restaurants and

outdoor theater. It has limited freeway visibility. The property is adjacent to the Bridal Mart (2801 Prospect Park). Other developments in the immediate area includes Maryland Casualty, ITT Technical Institute, Cigna, and Sprint PCS.

Access is good from the eastbound offramp of Highway 50 to Zinfandel (leading to Gold Center). West bound travelers must exit Zinfandel Drive, to White Rock Road to Prospect Park. Although direct access is not available, this circuitous route is convenient.

This comparable's size is similar to the subject. It is located within an established business park along the Highway 50 corridor. Freeway access to the hotel from the freeway is circuitous while access back to the freeway from the hotel is excellent.

Comparable 5. This 2.1 acre site is located on Arden Way, west of Harvard Street, Sacramento. The buyer purchased the property for the construction of a hotel. The hotel's street address is 2100 Harvard Street. The property was listed on the market for approximately 9 months. At the time of the sale, there were a few off-site improvements in place; however, the buyer had to do considerable on-site and off-site work. (The site was not as large as they really wanted, so they also had to do additional work to accommodate ingress and egress issues.) Both the buyer and the seller were motivated, so the sale closed relatively quickly. (The listing broker originally felt that the asking price was high, but the sale progressed quickly and the price was discounted only minimally.)

An Extended Stay of America is currently operational. This comparable has good freeway access from Interstate 80 via Arden Way exit. It does not enjoy any freeway visibility. Its location at the signalized corner of Harvard Street and Arden Way provides easy access. The Hilton Hotel and USAA offices are located along Harvard Street. The area to the south of this comparable contains primarily older industrial properties.

This comparable is similar in size to the anticipated subject uses in North Natomas. Its location is also similar to the subject with close proximity to the central business district. Surrounding uses include offices and a hotel.

Comparable 6. This 3.00 acre parcel is located in South Natomas, on Natomas Park Drive, south of El Camino Avenue, a major thoroughfare leading from Interstate 5. The owner had proceeded with the entitlement process prior to marketing the property. The property was purchased by Promus Hotels, Inc., who will proceed with developing a Homewood Suites, an "extended stay" hotel product. It is proposing to construct a 125 room Homewood Suites Hotel in Natomas Corporate Center between River City Bank and the Natomas Racquet Club. The hotel is to be a top-of-the-line property, featuring one-and two-bedroom suites with daily room rates greater than $100.

According to MuniFinancial, the bonds matured on this property in June of 1996 and were paid in full prior to the close of escrow. The listing broker did not report any bond payment on the property as part of the transaction. This comparable's size is typical of a commercial lot. Location is slightly superior to the subject with respect to the adjacent development. Proximity to the downtown market is similar. Freeway access is good while freeway visibility is limited.

The comparables indicate a range in value from $5.00 per square foot to $15.06 per square foot. The best comparables for the subject are HC-4 ($12.50 per square foot) and HC-3 ($14.21 per square foot). The subject is most similar to HC-4 given its location and surrounding land uses.

After considering the overall availability of land throughout the area, the subject's proximity to the downtown market, the proposed bond structure, and the comparable data, we conclude that the retail price per square foot for the subject base value is $13 per square foot for commercial land, or $570,000 per acre.

This value is applied to all of the properties of this type in the CFD in order to determine their retail values.

Other than the sale of the subject RC land that we discussed earlier in this report, no regional mall site sales have occurred in the area recently. By interpolating among other property type values, we have estimated the value of the subject site at $5.00 per square foot. This valuation does not take into account the value of the development plans and infrastructure that now exist, nor does it take into account the value of the tenant lease arrangements that are now in place. The following table summarizes the concluded retail values for each of the land use categories:

Land Use	Price Per Unit
RS - Paper Lots	$27,900
RS - Finished Lots	$48,900
R1 - Paper Lots	$32,500
R1 - Finished Lots - Small	$55,000
R1 - Finished Lots - Estate Size Lots	$70,000
High Density Residential	$10,000 per Unit
Neighborhood Commercial	$8.00 per Square Foot ($350,000 per Acre)
Community Commercial	$13.00 per Square Foot ($570,000 per Acre)
Regional Commercial	$6.00 per Square Foot ($261,360 per Acre)
Business Professional	$5.00 to $5.50 per Square Foot ($218,000 to $240,000 per Acre)
Light Industrial	$1.90 per Square Foot ($83,000 per Acre)

The following pages presents the retail values for the major land owners, based on the various land use categories.

Major Owner Summary -- VACANT Commercial and Residential Properties

Commercial - Vacant

Owner Name	*Count*	*Acres*	*Retail Value*
Chiurlia Nicola & Reniea	1	29.4	$7,034,071
Chiurlia Nicola & Reniea	1	7.3	$1,022,000
Evergreen - Creekside Llc	2	55	$14,644,872
Evergreen - Creekside Llc	5	78.9	$21,292,128
Peter P Bollinger Investment Co.	5	69.3	$27,198,864
Richland Irvine Inc	7	136.2	$41,647,716
Richland Irvine Inc	2	90.6	$7,498,418
Richland Irvine Inc	2	41.9	$5,866,000
Spanos Corporation The	2	12.2	$2,440,000
Urban Roseville Llc C & O Tax	1	94.2	$24,620,112
SUBTOTALS:	**28**	**615**	**$153,264,181**

Residential - Vacant

Owner Name	*Count*	*Acres*	*Retail Value*
Cresleigh Homes Corporation	90	27.73	$7,014,900
D R Horton Inc	60	10.04	$1,773,500
Delta Highlands	73	19.74	$5,282,000
Delta-Sierra Properties	1	8.2	$1,836,800
Hill Country Sa Ltd	4	39.7	$5,668,140
Jaguar Partnership	1	10.9	$1,510,740
Jaguar Partnership C & O Avant	1	6.3	$907,200
John Mourier Construction Inc	36	7.65	$2,200,500
Lennar Renaissance Inc	143	19.3	$7,347,000
Lewis Homes Enterprises	58	17.2	$5,426,000
Morrison Homes Northern Div	51	7.56	$2,161,000
Pappas Arizona Limited Partner	2	22.8	$3,388,440
Polygon Diamond Oaks Lp	2	33.8	$8,040,800
Richland Irvine Inc	1	22.1	$3,208,920
Smc Development Corp	24	31.53	$7,051,530
Strain Frederick S Et. Al	5	1.17	$322,500
U S Home Corporation	20	3.08	$1,062,500
Warmington A & R Associates Lp	6	55.8	$9,948,320
Winncrest Homes Inc	1	7.4	$4,256,000
x-Miscellaneous	102	21.29	$6,214,260
SUBTOTALS:	**681**	**373.29**	**$84,621,050**
GRAND TOTALS:	***709***	***988.29***	**$237,885,231**

VI. FINAL VALUATION ANALYSES AND VALUE SUMMARY

Assigning Values to the Already-Absorbed Properties. In the retail value determination section of this report we established "base" retail value estimates for the various types of properties contained within the CFD. We then considered each of the already absorbed properties in relation to the base value established for a typical property of that class, and adjusted it up or down, based on its individual attributes. In point of fact, however, we adjusted very few individual properties, and most were valued at the established base value. The values assigned to all of these properties are shown in summary form in the addenda. The base retail values that we established for all of the property types are displayed again in the following table.

Land Use	Price Per Unit
RS - Paper Lots	$27,900
RS - Finished Lots	$48,900
R1 - Paper Lots	$32,500
R1 - Finished Lots - Small	$55,000
R1 - Finished Lots - Estate Size Lots	$70,000
High Density Residential	$10,000 per Unit
Neighborhood Commercial	$8.00 per Square Foot ($350,000 per Acre)
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Business Professional	$5.00 to $5.50 per Square Foot ($218,000 to $240,000 per Acre)
Light Industrial	$1.90 per Square Foot ($83,000 per Acre)

Discounted Values of Land Yet to be Absorbed. As discussed earlier in the report, there is land within the CFD that is not currently being developed, and will only be developed over future time. Therefore, because of holding costs, time value of money, etc., its current value is less than the value it would have if it were in immediate demand. Since we have utilized sales comparison approach techniques to determine retail values (i.e., value as if it were immediately developable and in immediate demand) of the various types of land, a bulk value discounting process becomes appropriate in order to determine present value[1] for these properties.

[1] A bulk value analysis provides an indication of the value of a group of properties to a prospective single buyer who would purchase them all at once, and then be prepared to develop them, and also to absorb all necessary holding costs and marketing expenses while selling land parcels as demand developed, over a future time period.

Identification of Land to be Absorbed in the Future. We previously described all of the land parcels that are the subject of this appraisal. We also commented on why many of these already are considered to be absorbed, while others will not be developed until later. Residential properties that are not being immediately developed total approximately 435 acres. Commercial and industrial properties scheduled for future development total approximately 381 acres. The properties so identified are summarized in the Addenda.

Hausrath Economics Group, an economics consultant firm, also has catalogued land that should be considered to be in the future development category, and their conclusions regarding total acreage's in these categories are similar to ours. Based on their knowledge of the dynamics of Roseville development, as well as their expectations regarding future economic conditions, they have projected the pace of absorption of the various property types over future time. *Hausrath's* reports and projections are contained in the Addenda. We have used *Hausrath's* projected absorption patterns in the discounted cash flow analyses.

The Cash Flow Projecting Process. By applying the absorption pattern to retail property values, we can project future sales revenues that will be generated by this future absorption. After projecting future gross income, offsetting future costs also must be taken into account. These include marketing, and other holding costs.

Marketing costs are projected to approximate 5% of gross sales revenues. Taxes are estimated to approximate 1.1% of property remaining in inventory, plus average maximum special tax amounts as scheduled in the applicable bond issues. Administration, insurance, and other miscellaneous holding costs are projected to be about $200 per year per acre remaining in inventory.

All of these periodic costs are subtracted from sales proceeds that occur in the same time period in order to determine an estimate of cash flow for that period. Since retail property prices are not projected to increase in this real rate of return analysis, neither are expenses projected to increase. After all of these out-year sales proceeds and expenses are projected and net cash flows determined, these annual cash flows then can be discounted to a present value.

The Discount Rate, and the Discounting Process. Future annual cash flows are discounted at a chosen discount rate (i.e., an internal rate of return) in order to establish a value indication. The discounting process is a straight-forward mathematical process. Choosing the proper discount rate, however, is a much more obtuse process. Ideally, it is chosen based on market information.

According to *Appraisal Standards for Land Secured Financings*[2] the discount rate components include (1) a safe rate of return for the use of capital (akin to investing in government securities, for example, and such a rate would be the 5+%, 30 year T-bond rate minus 2%+/- inflation, or 3+% today), (2) an inflation premium to offset expected inflation, and (3) a risk premium to provide a profit to the investor commensurate with the risk being undertaken. (Note: the *Appraisal Standards* has not been quoted precisely here, and the appraisers have restated some of the component

[2]CDAC 94-6, California Debt and Investment Advisory Commission.

descriptions to make them more appropriate for the appraisal assignment.) Some appraisers conclude that the investor's profit is not included in (3), above, and that it must be expressed as a separate line item in the cash flow analysis. Based on our discussions with investors who even try to employ cash flow analyses, we find that most of them include the profit expectation in the discount rate.

In this appraisal, future retail prices are expressed in 1999-dollar terms (no inflation is projected), and therefore the discount rate should not include an inflation premium component.

The risks that the hypothetical bulk buyer/investor is assuming include the risk inherent is securing the additional government approvals needed prior to development of some of the properties, some project infrastructure design risk, and the risk relating to the pace of future demand for the product to be built (marketing risk). In our opinion, the discount rate should not include building construction risk, which would be assumed later, and possibly by different parties.

In order to establish the appropriate discount rate, we conducted the following research:

1. We interviewed staff personnel connected with a housing development investment program and an un-entitled property investment program of a major public pension fund. They invest funds along with an investment advisor. We found that their minimum real rate of return expectation for a standard housing development, where they purchase finished lots and build homes for sale, is 8%. They have experienced higher rates of return than this on their actual investments. For the un-entitled land program, where they buy property within a general plan area, but at the tentative map stage, or slightly before, their real rate of return expectation is 11%. They expect to liquidate these investments prior to the home building phase.

2. A local investment advisor to the non-profit foundations and public and private pension funds invests in home building projects here and in Nevada. Generally, his accounts invest at the paper lot stage, provide all development funds necessary to achieve a final map, and all development funds to build out the lots. They do not provide the home building financing, but they stay invested in the project, on a subordinated basis, until the houses are sold. Therefore, they have development risk, financing risk, and marketing risk. They expect an 18% to 24% nominal internal rate of return. For commercial development projects, which they have not undertaken, they would expect a lesser return. We consider this type of investing, which is debt and not equity and requires construction funding and subordination, to be a higher risk than holding entitled land until demand for it warrants its development.

3. The local Senior Vice President of a national brokerage firm, as well as developers active in the North Natomas area, were interviewed as to the their expectation for rate of return on less than fully entitled land. They reported that their investment analyses typically do not include internal rate of return processing, and that they rely more on the sales comparison approach.

4. A major local and Southern California developer opined that even a 12% return today on a relatively passive, longer term hold investment would be quite attractive today.

5. The well known Korpacz[3] report on real estate returns reports that, nationwide, unleveraged land investment return (discount rate) expectations range from 10% to 30%, with a median of 20%. In their publication they report that recently one bidder on a large California residential land tract who based his land price on a 21% *leveraged equity return* (unleveraged return would have been lower) lost the bid. Korpacz states that new funds devoting several hundred million dollars to land investment are being formed, and that their unleveraged hurdle rate on new development typically is 15%. We would note that none of the returns specified here are inflation adjusted; i.e., real rates of return are lower.

After reviewing all market data available to us we conclude that an investor in CFD 1 land, given its desirable location, partial to full entitlements, general plan conformance, and other features, would expect an unleveraged, real rate of return of approximately 12% to 15%, and we have chosen to discount at the more conservative **15%** rate for bulk sale valuation purposes. A 15% unleveraged rate, less the previously calculated 3+% safe rate, indicates a risk and profit component of 12%+/-, unleveraged. Again, this is a real rate of return.

Sensitivity Analyses. We have conducted two sets of sensitivity analyses. The first involved varying the discount rate. For both the residential and non-residential analyses, the base discount rate of 15% was changed to an aggressive 12% rate, and then to a more conservative 18% rate. The results are shown in the following table:

Discount Rate	Value Change (Compared to base case)
Residential:	
12%	1.04 times
15%	base case
18%	0.97 times
Non-Residential:	
12%	1.23 times
15%	base case
18%	0.82 times

Since the residential land is projected to absorb completely over the next five years, the discounted value is not especially sensitive to discount rate changes. For the non-residential land, however, the effect is more pronounced, since Hausrath projects that a significant amount of BP land will not absorb during the first 20 years of the projection period.

[3]Published by Price Waterhouse LLP, year-end 1997.

The second sensitivity analysis involved changing the rate of absorption. In effect, the absorption rate curve was moved up and down (i.e., the rate of absorption was increased or decreased) incrementally, with compensating adjustments made in the last active absorption period. The results of those tests are shown in the following table:

Absorption Rate Increase/Decrease	Value Change (Compared to the base case)
Residential:	
25%	1.07 times
0%	base case
-25%	0.88 times
Non-Residential:	
25%	1.19 times
0%	base case
-25%	0.77 times

As is the case with discount rate sensitivity, the value change is much more pronounced for the non-residential land.

About 66% of the total value of the CFD lands is attributable to properties that are considered to be already absorbed. Therefore, these sensitivity analyses pertains to only 34% of the total portfolio value, which lessons its impact.

Contained in the Addenda are the discounted cash flow analyses for each broad property type (residential and non-residential). The summation of final values for all defined property categories are presented in the following chart.

Final Value Summary. The total of the fee simple market values of all parcels, assuming that all CFD improvements have been completed, and subject to special tax and special assessment liens[4] and to the other Special and General Limiting Conditions of this report, as of January 18, 1999, is.

TWO HUNDRED FORTY TWO MILLION DOLLARS
($242,000,000).

The special tax will be applied to an anticipated beginning bond balance of approximately $60 million.

Property Category	Acres	Aggregate Assessed Values	Aggregate Appraised Values	Bulk (Discounted) Values
Residential Improved (About 450 Homes, 2 Multi-family properties)	103.43	$78,899,944		
Commercial Improved (Retail north of Highway 65)	41.50	$35,800,388		
Commercial Unimproved - (Immediate Development)	173.10		$45,912,240 ($265,235/Acre)	
Residential Unimproved (Future Development)	434.69			$65,788,508 ($151,346/Acre)
Commercial Unimproved (Future Development)	380.50			$15,496,577 ($40,727/Acre)
Public/Quasi Public Lands	91.78			
Totals	1,225.11	$114,700,332	$45,912,240	$81,285,085
Grand Total				$241,897,657

[4]An appraisal undertaken to establish value-to-lien ratios values the fee simple estate, subject to special tax and special assessment liens. The fee simple estate represents absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, policy power and escheat. SOURCE: CALIFORNIA DEBT ADVISORY COMMISSION.

ADDENDA

ADDENDUM A

REGIONAL ANALYSIS

OVERVIEW OF THE ATTRIBUTES, DEMOGRAPHICS AND ECONOMICS OF THE SACRAMENTO REGION

The Sacramento-Yolo Consolidated Metropolitan Statistical Area (CMSA), consisting of El Dorado, Placer, Sacramento, and Yolo counties[1], is located at the confluence of two major rivers, the Sacramento and the American, at the northern end of California's great inland Sacramento-San Joaquin Valley, often called the Central Valley. The community's area of influence extends from the Coastal Mountains to the west, across the Sacramento Valley, and up through the foothills of the Sierra Nevada Mountains to the east. The area is strategically located adjacent to productive agricultural areas on the north and south, recreational mountain areas on the east, and not far from the metropolitan San Francisco Bay Area 85 miles to the southwest. Also, it is centrally located with respect to the Mexican and Canadian borders. The largest city in the region, Sacramento, is the state capital and the cultural, communications, financial, employment, and transportation hub of the Sacramento Valley and adjacent mountain county regions.

Past Growth and Trends

The local presence of the seat of state government and its stable employment base notwithstanding, Sacramento has experienced cyclical growth in the past. During the mid and late 1980s, a robust time for Sacramento, there was a substantial shift in population growth and economic development away from the coastal areas of California to the inland valleys, and to cities like Sacramento. This trend was attributed in part to the following factors:

- Businesses were attracted to the lower land costs and abundant, low-cost office space found in inland valley cities and their suburbs.
- Workers from the coastal areas were looking to the inland valleys, and especially the Central Valley, for affordable housing and moderate commutes.
- The inland valley metropolitan areas had less known pollution and significantly less vehicle traffic.
- The 1989 Loma Prieta earthquake, which caused widespread damage in the San Francisco area, prompted many companies to consider locating at least some of their facilities to lower earthquake risk areas, and nearby Sacramento was in that category. First Nationwide Bank (later taken over by another bank) and Franklin Funds, a mutual fund management company, relocated most of their "back office" operations from the San Francisco area to Sacramento. This trend was reinforced as a result of the 1993 Los Angeles earthquake, when Packard Bell moved its assembly operations to Sacramento from its Los Angeles area location.

[1]Yolo County, including the communities of West Sacramento and Davis, often is not included in statistical summaries compiled by California state agencies, even though it is definitely part of the metropolitan area.

- Sacramento possessed excellent multi-modal transportation facilities. The area is served by U.S. Highway 50 and Interstate 80 - east-west highways, State Highway 99 and Interstate 5 - north-south highways; the Port of Sacramento; freight and passenger rail systems; and the Sacramento Metropolitan and Executive airports.

- The size of state government increased greatly, and Sacramento was the greatest single city benefactor of that growth, given its role as state capital.

- The work force was well educated and wages were low, especially for office workers, compared to Los Angeles and San Francisco.

- Several new roadways were constructed to serve the area, such as the Highway 65 Bypass in the Roseville area that opened up South Placer County industrial areas to major corporations like Hewlett-Packard and NEC.

Many of these same attractive factors are still true today, and the area is again experiencing strong economic growth as business operations and people leave the expensive San Francisco/Silicon Valley area in search of cheaper housing and less crowded conditions. The local recession of the early 1990s is over, and the Sacramento is again enjoying the growth portion of what appears to be about a 10 year economic cycle. Additional influences are described in the paragraphs that follow.

Transportation Facilities

As previously mentioned, the Sacramento Metropolitan Area has an excellent transportation network, making it a desirable area for distribution facilities; these transportation attributes contributed to Apple Computer's 1992 decision to move a major portion of their distribution activities to a new facility in the Laguna area of Sacramento, where they had planned to employ 1,750 workers. In 1994 they added a 200,000 square foot, $80 million facility at this location, but Apple's fortunes languished, and then improved after release of their latest computer. Recently, however, they announced that they are transferring some of their local operations to South Korea.

There are four major highways converging near Sacramento's Central Business District (CBD): Interstate 80 and U.S. Highway 50, which are east-west freeways, and Interstate 5 and State Highway 99, which run in a north-south direction. These are all major trucking routes and they offer access to all areas of the West Coast, as well as to major metropolitan areas throughout the United States.

Sacramento is crisscrossed by the north/south and east/west main lines of the Union Pacific Railroad. As a result of the merger of Union Pacific and Southern Pacific in September 1996, Sacramento now has access to Burlington Northern Santa Fe Railway, giving the city service by both major Western railroads. Union Pacific's major freight classification facility for northern California, Nevada, and Oregon will remain in Roseville, California, and is undergoing a $140,000,000 upgrade to handle an additional volume of traffic. Intermodal traffic will continue to be handled at Roseville and Lathrop,

California for the Sacramento region. Amtrak currently runs three round trip trains a day between Sacramento and the San Francisco Bay area.

There are three airports serving the area. The primary facility, Sacramento International Airport, provides air freight and passenger service to most American cities. International Airport is currently serving about 700,000 passengers per month, up from an average of about 300,000 per month in late 1990. A new, 12 gate terminal opened in late 1998, and a five story, $55 million parking garage is planned for construction about the year 2000. Currently there is only one bus line (Yolo bus) and no public ground transportation systems serving the airport, and parking is difficult.

Airport officials previously envisioned Sacramento International Airport as a cargo hub, with freight activity expected to increase significantly. However, the closed Mather Air Force Base, a 1,791-acre facility, is emerging as the major cargo airport. A third facility, Sacramento Executive Airport, handles primarily business and private aircraft.

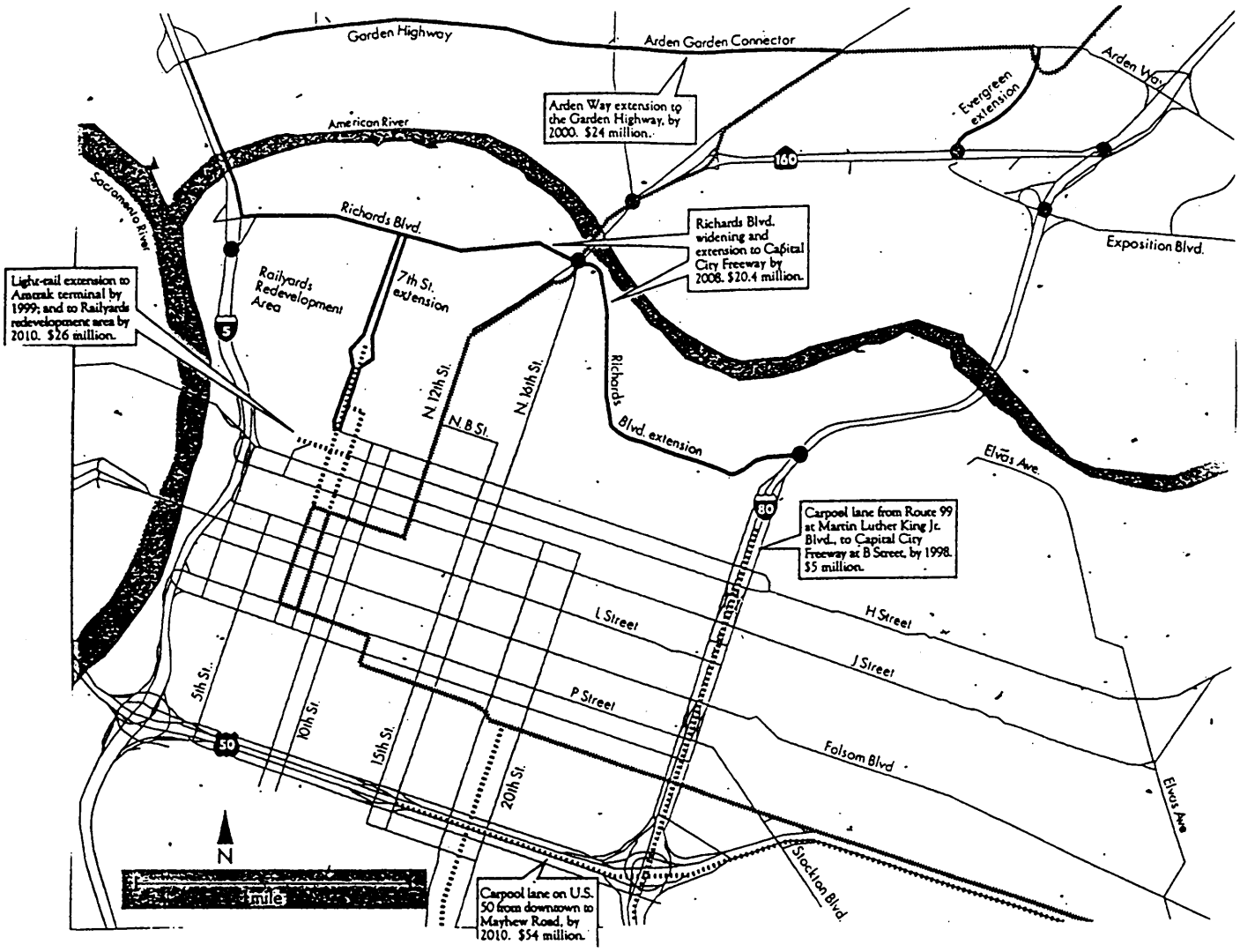
The Port of Sacramento is a deep-water shipping facility in Yolo County located at the western edges of the City of Sacramento. Its reputation as an efficient bulk cargo seaport is further enhanced by its designation as a foreign trade zone. Historically there have been significant exports of farm crops and forest products from this port. During the fiscal year that ended in June 1997, the port handled 1.1 million short tons of cargo. Over the last 10 years, however, total shipments and revenues have been declining, and the future viability of the port operation is uncertain. The port has 310,000 square feet of covered storage for cargo operations.

Local bus service is provided by Regional Transit. In addition, an 18.3-mile light rail system interconnects with the existing Regional Transit bus service. The light rail system connects Sacramento's Central Business District with established and heavily built-up residential suburbs to the northeast and east, using tracks located adjacent to the Interstate Business 80 and U.S. Highway 50 corridors. A southern leg from the central city to Meadowview Road is planned for the system, with construction expected to begin in 1999, with completion by 2002. A northern leg, with service, ultimately, to the airport is planned, but there is no timetable for it at present.

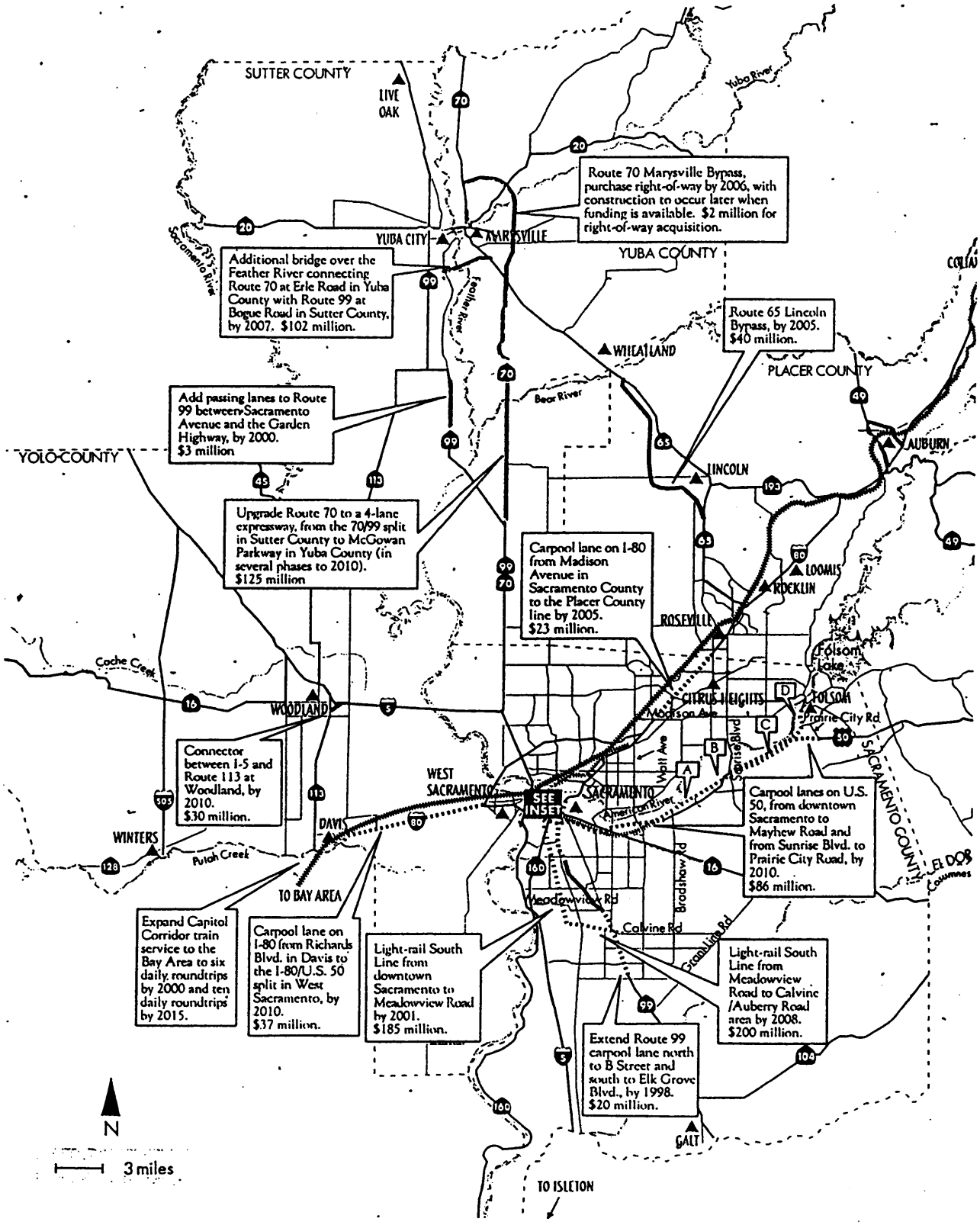
Inter-city bus transportation is provided by Greyhound, with terminals in Sacramento, suburban Sacramento, and Roseville. The Sacramento terminal is Greyhound's second busiest on the west coast, operating more than 100 scheduled runs a day and transporting about 70,000 riders per month.

Future Transportation Needs. The region's 50% population growth that is projected between now and 2015 will lead to significantly increased traffic congestion. To deal with this problem, a 20-year Metropolitan Transportation Plan was adopted by the Sacramento Area Council of Governments (SACOG) in 1996. The plan contains proposals for regional transportation strategies and also describes local improvements that are planned by the individual cities and counties of the region, the implementation of which could at least partially alleviate expected problems. Unfortunately, many of these projects are unfunded, to a total of about $1.9 billion. Area growth and development might proceed at a slower pace if these projects are not funded. Exhibits on the next two pages show the nature and location of many of the planned transportation improvements.

CENTRAL SACRAMENTO TRANSPORTATION IMPROVEMENTS



METROPOLITAN AREA PUBLIC TRANSIT AND HIGHWAY EXPANSION



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Educational Facilities

Two major public universities are located in the area: the University of California at Davis, the third largest campus in the University of California system (and largest in terms of physical campus area), with 24,000 students; and California State University, Sacramento, with more than 23,000 students. Both of these institutions offer undergraduate and graduate degree programs. U.C. Davis expects to add 3,000 students over the next decade, which will make it size equivalent to the present size of U.C. Berkeley. Private universities include the University of Pacific McGeorge School of Law, the 18th largest accredited law school in the country. Several other institutions, such as Golden Gate University, National University, and the University of Southern California have various undergraduate and graduate programs aimed at working students. General education and technical training are available at four community colleges serving the area.

The primary and secondary school systems within the city of Sacramento have been suffering from significant budget constraints. Suburban schools, however, especially in the Roseville and Rocklin areas, have new facilities paid for with Mello Roos bond proceeds, developer fees, etc. There will be a similar School Facilities Fee levied in the newly developing North Natomas area. Most of the local school districts are considered to be delivering an adequate level of education, but SAT scores for the region, for instance, are typically no more than average, compared to the state as a whole.

Retail Facilities

The Sacramento area has numerous shopping facilities, and compared to national standards, probably has too much retail space (25 square feet per person, vs. the 19 square feet per person national average). During the late 1980s and early 1990s, more than eighty shopping centers were constructed. Demand for space from regional and national chain tenants was strong due to the area's rapid growth. Wal-Mart entered the market and now has four stores in the area, with one more announced. The area is served by eight regional shopping centers, but construction of at least two regional malls proposed in the late 1980s has been delayed for years because of unclear economic conditions, loss of interest on the part of prospective major tenants, or lack of financing. The largest of the existing centers, Sunrise Mall, contains 1.19 million square feet. The second largest, Arden Fair Mall, contains 1.1 million square feet of space, and includes the region's first Nordstrom department store, as well as J. C. Penney, Sears and Macy's. A downtown mall, called Downtown Plaza, was renovated and enlarged in the early 1990s and is now almost as large as Arden Fair. All major retailers are represented in the area. And the two prospective mall plans are showing signs of life, with JMB Properties announcing back in 1994 that they have chosen a Roseville site for a mall with three or four anchor tenants to serve Placer County. Similarly, Forest City Development has announced three anchors for its planned Broadstone Mall in Folsom. Both centers are expected to be under construction before the turn of the century. Also, a larger power center, Natomas Marketplace (60 acres, 600,000 square feet), located at Truxel and I-80, completed in 1998.

Local Buying Power

The average household effective buying income (EBI) for several California metropolitan areas is shown in the chart below. The Sacramento area average EBI is below the average for the State of California as a whole, and is significantly below that of some of the major metropolitan areas. We suspect that new retail developments in the affluent portions of the Sacramento area may be successful, but the modest EBI level suggests that there are many people with very low EBIs, and new retail trade attempts in the modest neighborhoods are less likely to meet with success.

EFFECTIVE BUYING INCOME, SOME CALIFORNIA METRO AREAS
Current and Projected

Metro Area	Average Household EBI, 1996	Average Household EBI, 2000 or 2001
San Jos	$60,218	$68,355
San Francisco	55,008	62,464
Orange County	51,135	58,045
Oakland	50,072	56,938
All California	44,430	50,408
Los Angeles/Long Beach	43,494	49,371
Vallejo-Fairfield-Napa	44,626	50,680
Sacramento	41,944	47,718
Stockton	38,684	43,911
Modesto	36,831	41,808
Fresno	33,983	38,570
Yuba City	31,372	35,910
Chico-Paradise	30,310	34,406

Source: Sales and Marketing Management, 1997 Survey of Buying Power

Sacramento's median household effective buying income compared to some other U.S. cities is shown in the following chart. Sacramento is about the national median, but trails several other regional cities.

MEDIAN HOUSEHOLD EBI (1997 Survey of Buying Power)			Compared to Sacramento's (times)
Metro	($)	Rank	
San Jose	52,025	3	1.49
Seattle - Bellevue - Everett	43,934	14	1.26
Orange County	42,747	20	1.22
San Francisco	42,905	18	1.23
Oakland	42,401	21	1.21
Santa Cruz - Watsonville	41,617	24	1.19
Minneapolis - St. Paul	40,696	30	1.16
Vallejo - Fairfield - Napa	39,127	31	1.12
Madison	39,897	33	1.14
Reno	39,649	34	1.13
Santa Rosa	37,182	63	1.06
Median, Above Median Areas	35,608		1.02
Salt Lake City - Ogden	35,646	85	1.02
Portland - Vancouver	35,325	91	1.01
San Diego	34,445	109	.98
Sacramento	**35,007**	**98**	**1.00**
Austin - San Marcos	34,444	110	0.98
Los Angeles - Long Beach	33,272	135	0.95
U. S. Median	33,482		0.96
Stockton - Lodi	31,329	177	0.89
Phoenix - Mesa	31,340	176	0.90
Yolo	30,112	202	0.86
Fresno	26,136	290	0.75
Chico - Paradise	23,167	316	0.66

Recreational Amenities

The greater Sacramento area has many natural recreational opportunities, and a moderate year-round climate. Locally, the American and Sacramento rivers, the Sacramento River delta, and Folsom Lake offer a variety of water-oriented activities. The extended community has 22 golf courses and a 50-mile bicycle/pedestrian/equestrian trail along the American River. The Sierra Nevada Mountains to the east offer excellent skiing, and adjacent Lake Tahoe offers additional aquatic activities. The well-known wine-producing valleys of Napa and Sonoma are about 90 minutes from Sacramento, and the San Francisco Bay area can be reached easily by Interstate 80.

Sports Attractions

The best known local professional sports team is the Sacramento Kings of the National Basketball Association. The Kings play at the 17,000-seat Arco Arena, in North Natomas. Other professional teams have experimented in the area, with generally unsatisfactory results. A local group purchased a Canadian Football League franchise that played its 1993 and 1994 seasons in Sacramento. However, the owners suffered major losses and the team has since been disbanded. A new professional women's basketball team, the Sacramento Monarchs, made its debut at Arco Arena during the summer, 1997. Their games were well attended in 1997, but attendance down in 1998.

A new baseball park to accommodate a Triple A team has been proposed for a West Sacramento site, located across the Sacramento River from Old Sacramento. A bond issue to finance it has been given preliminary approval by Sacramento County, Yolo County, and the City of West Sacramento.

At the amateur level, both California State University, Sacramento, and the University of California at Davis have Division I or Division II teams in most major, and some less well known, sports.

Cultural Amenities; Historical Attractions

Sacramento has offerings in the theater, music, and fine arts that are typical for a mid-sized city. Also, there is ready access to all such attractions in San Francisco. A new state-of-the-art library located at the downtown plaza experiences high usage and is open daily except Monday.

The State Capitol, the restored Old Sacramento district along the Sacramento River, the Railroad Museum, and Sutter's Fort are major attractions for both local residents and tourists. The annual international jazz festival, held in May in and around Old Sacramento, is one of the largest such festivals, and draws performing groups from around the world.

Population Characteristics

The latest revised U.S. Census population estimate (as of July 1, 1996) for what the Office of Management and Budget (OMB) of the federal government is now calling the Sacramento-Yolo CMSA is 1,632,133, a 10.2% increase since the 1990 census. This population total is:

- 0.6% +/- of the population of the United States (265.284 million) and
- 5%+ of the population of the State of California (31.858 million)

Sacramento-Yolo, as of 1996, was the 26th largest metropolitan area (as measured after some metropolitan areas previously considered separately are combined into "consolidated" metropolitan statistical areas, or CMSAs) in the United States.

The following chart illustrates how Sacramento-Yolo compares to some of the other areas that exceed one million in population.

POPULATION RANKINGS			
RANK	MSA/CMSA	1996 POPULATION	SIZE COMPARED TO SACRAMENTO-YOLO (TIMES)
1	New York-Northern New Jersey-Long Island, NY-NJ-CT-PA CMSA	19,938,492	12.2
2	Los Angeles-Riverside-Orange County, CA CMSA	15,495,155	9.5
3	Chicago-Gary-Kenosah, IL-IN-WI CMSA	8,599,774	5.3
4	Washington-Baltimore, DC-MD-VA-WV CMSA	7,164,519	4.4
5	San Francisco-Oakland-San Jose, CA CMSA	6,605,428	4.1
9	Dallas-Fort Worth, TX CMSA	4,574,561	2.8
10	Houston-Galveston-Brazoria, TX CMSA	4,253,428	2.6
11	Atlanta, GA MSA	3,541,230	2.2
12	Miami-Fort Lauderdale, FL CMSA	3,514,403	2.2
13	Seattle-Tacoma-Bremerton, WA CMSA	3,320,829	2.0
15	Minneapolis-St. Paul, MN-WI MSA	2,765,116	1.7
16	Phoenix-Mesa, AZ MSA	2,746,703	1.7
17	San Diego, CA MSA	2,655,463	1.6
18	St. Louis, MO-IL MSA	2,548,238	1.6
20	Denver-Boulder-Greeley, CO CMSA	2,277,401	1.4
21	Tampa-St. Petersburg-Clearwater, FL MSA	2,199,231	1.4
22	Portland-Salem, OR-WA CMSA	2,078,357	1.3
23	Cincinnati-Hamilton, OH-KY-IN CMSA	1,920,931	1.2
24	Kansas City, MO-KS MSA	1,690,343	1.0
25	Milwaukee-Racine, WI CMSA	1,642,658	1.0
26	Sacramento-Yolo, CA CMSA	1,632,133	1.0
27	Northfolk-Virginia Beach-Newport News, VA-NC MSA	1,540,252	1.0
28	Indianapolis, IN MSA	1,492,297	0.9
29	San Antonio, TX MSA	1,490,111	0.9
30	Columbus, OH MSA	1,447,646	0.9
31	Orlando, FL MSA	1,417,291	0.9
34	Salt Lake City-Ogden, UT MSA	1,217,842	0.8
Source: CENDATA from CompuServe and Bender Rosenthal calculations.			

Sacramento was the 23rd most rapidly growing PMSA/MSA in the country over the 1980-90 period, the fifth fastest growing among national PMSA/MSAs over one million in population, and the sixth fastest growing in the State of California (five of these six were Central Valley cities). Since the 1980s, however, the population growth rate has decreased. As shown on the following chart, the area's

population growth has moderated compared to the 3+% average annual growth rates of 1980-1990; the annual population increase since January 1991 has been 1.1%.

TABLE 1, SACRAMENTO CMSA POPULATION GROWTH -
JANUARY 1980 TO JANUARY 1998[2]

COUNTY	POPULATION		NUMERICAL INCREASE	PERCENTAGE INCREASE	AVERAGE ANNUAL PERCENTAGE INCREASE
	1980	1998			
El Dorado	84,300	147,600	63,300	75.1%	4.2%
Placer	116,300	217,900	101,600	87.4%	4.9%
Sacramento	**777,800**	**1,159,800**	**382,000**	**49.1%**	**2.7%**
Yolo	112,800	156,800	44,000	39.0%	2.2%
Totals:	1,091,200	1,682,100	590,900	62.6% Avg.	3.5% Avg.

Note: As of January 1994 the Sacramento MSA has been revised to include only three counties: El Dorado, Placer, and Sacramento. When Yolo County is added, the combination is referred to as the Sacramento-Yolo CMSA.

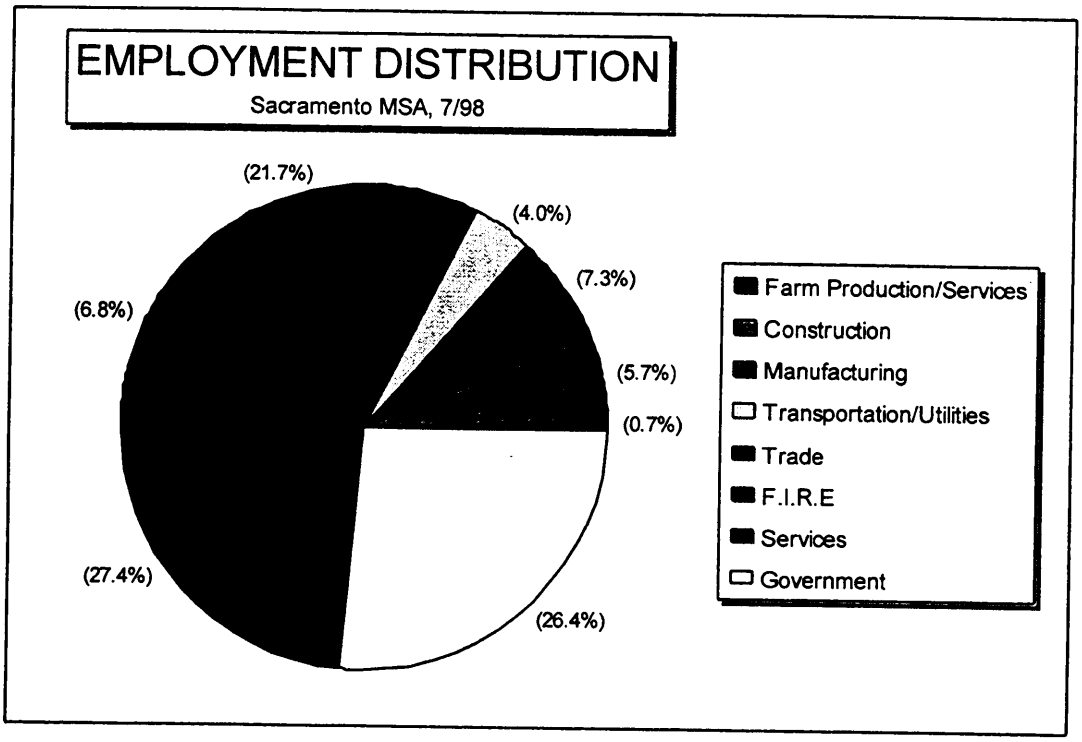
Work Force Quality; Income Growth

The Sacramento population is well educated, relatively young, and affluent. Sixty percent of the adults are under age 45, over 62% of the work force has attended some college, and 25% possess bachelor's degrees or higher. Sacramento County's per capita income is about $24,900, which is 96% of the all-California average, and 99% of the national average.

Labor Resources, Employment, and Economic Base

Historically, over 50% of the area's economic base has been driven by government employment. Although Sacramento continues, undeniably, to be a government town, efforts to diversify the economic base have been modestly successful, and government employment as a percent of total employment has declined from over 34% in 1980 to less than 27% today (see exhibit that follows). Trade, Transportation, F.I.R.E. and Services account for another 60% of those employed. Only 7% of employment is attributable to the manufacturing sector, and this percentage is little changed since 1980, when it was 6.7%. Also, it should be noted that this employment analysis significantly under-emphasizes the importance to the local economy of the extensive agricultural production that exists throughout the extended area.

[2]POPULATION ESTIMATES FOR CALIFORNIA CITIES AND COUNTIES, REPORT 93 E-1, January 1, 1998, Department of Finance-Demographic Research Units, State of California, May 1997. (Does not agree precisely with U.S. Census data.)



A list of the largest employers in Sacramento shows the community's dependence on government. The list follows on the next page.

LARGEST EMPLOYERS SACRAMENTO AREA	
EMPLOYER	NO. OF EMPLOYEES
State of California (not including education)	72,500
University of California at Davis	15,260
Sacramento County	11,000
San Juan Unified School District	9,200
McClellan Air Force Base	7,000
Sutter Health	7,635
Raley's	6,270
U.C. Davis Medical Center	5,810
Mercy Healthcare Sacramento	5,486
Kaiser Permanente	5,505
Sacramento City Unified School District	5,230
Hewlett-Packard	5,400
U.S. Postal Service	4,860
Pacific Bell	4,844
U.S. Postal Service	4,860
Intel Corporation	4,800
City of Sacramento	4,000
Packard Bell NEC	3,800
Elk Grove School District	3,340
The Money Store	2,900
Albertson's, Inc.	2,852
California State University at Sacramento	2,600
Foundation Health	2,480
Sacramento Municipal Utility District	2,240
Pride Industries	2,100
NEC Electronics	2,050
USCS International	2,013
MTS Inc.	2,000
United Parcel Service	2,000
Union Pacific Railroad	2,000
Lucky Stores, Inc.	1,998
Aerojet	1,800
Bank of America	1,714
Sacramento Bee	1,626
A Tiechert & Sons, Inc.	1,500

EMPLOYER	NO. OF EMPLOYEES
MCI Communications	1,500
Electronic Data Systems Corp.	1,455
Vision Services Plan	1,394

Sources: Business Journal Top 25 Lists, Individual organizations, State Employment Development Department, late 1998 counts.

The figure for state government does not include local campuses of the University of California or California State University systems, which are listed separately. Similarly, the U.C. Davis figure does not include the U.C. Davis Medical Center, which is in Sacramento.

The Sacramento area's annual employment growth rate during the late 1980s was the fastest in the country, and the unemployment rate remained very low. During the early 1990s, however, there was a net decline in employment, and the unemployment rate remained high. The job market has steadily strengthened over the last three years. In March, 1997 the local unemployment rate dropped below the national rate for the first time since 1991. Current labor force and employment statistics are shown in the following table.

SACRAMENTO MSA
(SACRAMENTO, PLACER, AND EL DORADO COUNTIES)
CURRENT LABOR FORCE AND INDUSTRY EMPLOYMENT

MARCH 1997 BENCHMARK; DATA NOT ADJUSTED FOR SEASONALITY	DEC 97	OCT 98	NOV 98 REVISED	DEC 98 PRELIMINARY	PERCENT CHANGE	
					MONTH	YEAR
Civilian Labor Force	742,400	749,300	747,000	747,600	.01%	0.7%
Civilian Employment	709,000	715,000	716,000	717,600	0.2%	1.2%
Civilian Unemployment	33,400	34,300	31,000	30,000	-3.2%	-10.2%
Civilian Unemployment Rate	4.5%	4.6%	4.1%	4.0%	--	--
(California Unemployment Rate)	5.6%	5.7%	5.6%	5.4%	--	--
(U.S. Unemployment Rate)	41.4%	4.2%	4.1%	4.0%	--	--

As can be seen by the chart, the local unemployment rate has been decreasing overall. The total Sacramento job gain, December 1998 over December 1997, was 8,600, which is very positive. Although many self-employed persons may have left the work force in the early 1990s, it appears that many may be returning, as new business formation increases. Overall, current employment trends indicate that Sacramento is currently enjoying a healthy economy.

Regional planners, according to a report released in February 1996 by the Sacramento Area Council of Governments (SACOG), project that over 500,000 jobs will be created in the Sacramento area between now and the year 2020, with most of the employment growth occurring in the following communities:

GREATEST EMPLOYMENT GROWTH AREAS		
COMMUNITY	2020 EMPLOYMENT	TOTAL INCREASE
Downtown	141,700	45,000
Roseville/Rocklin	111,400	63,600
Rancho Cordova	108,100	43,000
West Sacramento	61,800	40,000
Natomas	55,400	33,400
Totals	478,400	225,000

This is approximately a 3.2% compound rate of increase, which may be sustainable, but it is an aggressive projection, in our opinion. Planners are not clairvoyant, and historically their projections have been flawed because they cannot predict recessions, catastrophes, and other exogenous events that affect job growth.

Military Base Closures

For many years the Sacramento economy had the good fortune to be the recipient of the expenditures for local goods and services from three military bases: The Sacramento Army Depot, Mather Air Force Base, and McClellan Air Force Base. However, Mather was closed in 1993, and the Depot, for all practical purposes, in 1994. About 6,500 jobs were lost at the two bases. The Depot was converted, in part, to a manufacturing facility for Packard Bell (now NEC Packard Bell), a computer manufacturer, and over 3,000 new jobs were developed as a result.

McClellan, which once employed 12,600 civilians and 3,455 military personnel and pumped a gross annual payroll of $550 million into the local economy, is also nearing closure. Most of the military commands have already departed. About 7,000 employees remain at this time, but the prospects of retaining their hi-tech Department of Defense work do not appear good. The base contains about 2,800 acres, some of which have toxic substance problems. Exchange, commissary and medical facilities will remain open after base closure to serve the estimated 80,000 area military retirees who currently use these on-base services. Without access to these services, military retirees might be less likely to remain in the area.

Sacramento Business Climate

Historically, the Sacramento mix of government, management, labor, education, and environment apparently has not been appropriate for spawning or supporting major business endeavors, as demonstrated by the following facts:

- The Sacramento metropolitan area, which is the thirtieth largest in the United States, is not the headquarters city for a single FORTUNE 500 company.

- Of the 400 largest private companies (ranked by sales) in the United States, according to FORBES, three are headquartered in the Sacramento area: Raley's, MTS (Tower Books, Records, etc.), and Whitmire Distribution. In comparison, Reno has one, Redding has one, Modesto has two, Portland has two, and the San Francisco Bay area has ten.

- Of the 100 largest private companies in the State of California, as ranked by CALIFORNIA BUSINESS based on total revenues, four were based in the Sacramento area. Sacramento is the seventh largest MSA in California.

Although it is true that small companies, not large ones, generate most of the jobs in the United States today, it is also true that many of these smaller companies tend to be located near larger ones. Sacramento, unfortunately, has few large companies to provide the incubating environment for the creation of smaller firms, who subcontract for goods and services, or who use large company relationships to begin new ventures. This situation may be changing, however, as various high tech firms are locating facilities in Sacramento, as described earlier.

National Perceptions

Over the last 10 years various reviews of good places to live and work in the United States have rated Sacramento at many different levels. Each year Money Magazine rates its "best places" based on reviews of nine broad categories: crime, economy, health, housing, education, weather, leisure, arts and culture, and transportation. In its latest rating (July, 1998) Sacramento was rated the tenth out of the 14 metro areas in the west with populations exceeding 1.0 million. The ratings are shown in the chart that follows:

"HOW THEY RANK"
(Money Magazine)

Western Cities
Large (1,000,000+ pop.)

	City	Population
1.	Seattle-Bellevue-Everett, WA	2,234,707
2.	Denver, CO	1,866,978
3.	Los Angeles-Long Beach, CA	9,127,751
4.	San Diego, CA	2,655,463
5.	Salt Lake City-Ogden, UT	1,217,842
6.	San Francisco, CA	1,655,454
7.	Portland-Vancouver, OR	1,758,937
8.	Orange County, CA	2,636,888
9.	San Jose, CA	1,599,604
10.	Oakland, CA	2,209,629
11.	Las Vegas, NV-AZ	1,201,073
12.	Phoenix-Mesa, AZ	2,746,703
13.	Sacramento, CA	1,482,208
14.	Riverside-San Bernadino, CA	3,015,783

Summary

The Sacramento Metropolitan Area is strategically located with respect to transportation corridors and agricultural production within California's huge Central Valley region. The metropolitan area benefits from being the capital and center of government for the State of California, which currently has a population exceeding 31 million and a gross domestic product that, if compared to other nations, would be among the top ten in the world.

The area's population is well educated, relatively young, and used to working at wage scales that are below those found in the larger, coastal cities. Local employment, which is too dependent on government, was adversely impacted by the national recession and California depression, but less so than many other metropolitan areas of California. Military base closings have hurt the local economy, and one more major closing is in process. Nevertheless, job growth is strong, and regional economists seem to be universally positive on the near-term prospects for the area.

The accelerating economy is giving some real estate values a boost: properties of recognized quality have been appreciating for the last three or four years after seven or eight years of declining values, but substandard real estate may continue to lose value relative to other assets, albeit at a lessor rate than during the early 1990s. Looking at the long term, we believe that the area's overall desirability as a place to live and work should positively impact the local economy and most real estate values, and we expect continuing modest value increases during the remainder of the decade and into the early years of the new century.

ADDENDUM B

ABSORPTION PROJECTIONS (HAUSRATH)

HAUSRATH
ECONOMICS
GROUP

MEMORANDUM

Date: December 2, 1998

To: Cydney Bender and Stephen Rosenthal

From: Sally Nielsen

cc: Peter Miller, Public Financial Management
Dan Gangwish, PaineWebber
Sohail Bengali, Stone & Youngberg
Phil Ezell, City of Roseville

Subject: **Absorption Estimates for the North Central Roseville Community Facilities District**

This memorandum transmits Hausrath Economics Group's estimates of residential and non-residential land absorption for the North Central Roseville Community Facilities District, for use in the appraisal analysis for the bond refinancing. The memorandum describes our sources, methodology, and key assumptions, and presents the estimates of future land absorption. A subsequent memorandum will expand on the market context for the absorption estimates.

Boundaries of the North Central Roseville Community Facilities District

The boundaries of the North Central Roseville Community Facilities District (CFD) are not coterminous with the boundaries of the North Central Roseville Specific Plan Area (NCRSPA), although most of the NCRSPA is included in the CFD. The only exclusions are NCRSPA parcels south of Diamond Oaks Boulevard and parcels currently subject to utility easements. The latter parcels are designated light industrial reserve and could at some point in the future be annexed to the CFD. The existing commercial development (Stanford Ranch Crossing) north of the Highway 65 Bypass is included in the CFD. The Highland Reserve North Specific Plan Area (former urban reserve) is not included in the boundaries of the CFD. Finally, a completed residential subdivision consisting of 20 units on six acres (Country Estates) just south of Diamond Oaks Boulevard is included in the boundaries of the CFD, although it is not within the boundaries of the NCRSPA. Map 1 shows the CFD boundaries.

Sources

Hausrath Economics Group (HEG) relied on data from the City of Roseville Planning Department to determine the current status of development in the CFD. Specifically, we relied on the Planning Department's *Quarterly Development Activity Report – Third Quarter of 1998*, published in November 1998. We also discussed the status of specific projects with Planning Department staff. HEG also reviewed the *North Central Roseville Specific Plan*, adopted July 5, 1990 and most recently amended May 28, 1997. We confirmed CFD boundaries with City of Roseville staff. The estimates of future absorption are based in part on HEG's *Market Absorption Update*, prepared for the City of Roseville in May 1998. That report is an update of the comprehensive long-range market analysis prepared for the City of Roseville in 1996 by Keyser Marston Associates (KMA) (*Market Absorption Study, City of Roseville, 1995 – 2020).* HEG's 1998 update relies on the same basic set of long-term local and regional market conclusions documented by KMA and updates the projections for Roseville to reflect more recent development trends and some changes in development capacity within the City.

Assumptions and Methodology

A key assumption behind the absorption estimates presented here is that those long-term market conclusions remain valid. In our judgement, KMA's conclusions about Roseville's role in the South Placer and larger Sacramento regional markets for residential, retail, office, and industrial development through the year 2020 are sound. A subsequent memorandum will elaborate on those conclusions.

Particularly for non-residential development , the longer-term absorption schedules presented here represent schematic or illustrative assessments of the likely pace of development in the CFD, given current project status, past trends in the pace of development, and other future development potential and absorption in the City of Roseville and elsewhere in the region. The residential absorption schedule is more predictable because of current levels of development activity and overall supply conditions under current zoning in Roseville.

All of the absorption schedules assume continuation of relatively strong economic conditions for Roseville and the region over the longer-term.

There has been a significant amount of commercial and residential development within the CFD since 1993. There is also a substantial amount of development under construction and in the pipeline (approved and under review by the City). Project status was thus an important component of the absorption estimate.

Furthermore, the appraisal analysis for the CFD refinancing will provide estimates of values for future land sales. Therefore, existing development and projects under construction are not of interest to the appraisal analysis. HEG consequently reviewed carefully the development status of all parcels within the CFD, using Planning Department Quarterly Reports to determine the current status and the pace at which projects have been moving through the pipeline. The absorption estimates that follow reflect the status of projects in the CFD as of September 30, 1998.

Land Use Overview

The North Central Roseville CFD includes four residential neighborhoods with a mix of single- and multi-family housing developments and supporting community commercial development. the CFD also includes significant regional commercial and office development at the intersection of Highway 65 and Harding Boulevard and acreage for office park and light industrial development along Highway 65. Table 1 shows the overall mix of land uses in the CFD.

The sections that follow detail the absorption estimates for residential and non-residential uses.

Residential

Within the North Central Roseville CFD there are about 606 residential acres accommodating 3,486 units. That unit count includes the 20 units in Country Estates outside the NCRSPA that are within the boundaries of the CFD (see map). For the majority of residential parcels within the CFD, the unit count reflects the number of units actually constructed, approved, or under review for development, as opposed to the zoned potential. For only two parcels that are yet to be the subject of planning review, the estimate reflects potential under existing zoning.

Almost one-third of total residential development potential in the North Central CFD is completed or under construction. As of September 30, 1998, 605 units in the CFD were complete and another 565 units were under construction. The units under construction include 229 single-family units and a multi-family development totaling 336 units. Another 1,676 units (almost half of the total) are in approved projects. All of the single-family residential development in the CFD is approved. There is one multi-family project under review that conforms to the existing zoning (400 units on 21 acres). [Another multi-family project is proposed on a parcel that would require rezoning from Business Professional. Approval of this project as proposed is speculative at this time and the units (224) are not included in total development potential or in future absorption.] Finally, residential parcels remaining within the CFD could accommodate about 240 multi-family units.

Table 2 shows HEG's estimates of future residential absorption for the purpose of land value appraisal. The residential units and acres in projects completed or under construction as of September 30, 1998 are not included in these estimates of future land absorption.

We project that absorption of single-family residential lots will continue over the next four years at a pace of about 350 - 400 lots per year. This is a pattern consistent with the current pace of development in which about 480 vacant lots became units under construction between the third quarter of 1997 and the third quarter of 1998. The estimate also reflects a steady pace of development for the large number of approved units and is consistent (when considered with the multi-family component) with HEG's *Market Absorption Update* which indicated absorption of about 500 units per year for the NCRSPA, to build-out by 2005.

The absorption estimate for multi-family development also represents land absorption, and reflects the "lumpy" nature of that development type. One multi-family development project is currently under construction (and not shown on Table 2). Another project representing 236 units

is approved and is estimated to be under construction for the purposes of land value analysis by the year 2000. The project currently under review could be approved and under construction by the year 2002, and the remaining higher density residential development potential absorbed in 2004. As in the case of single-family development, this absorption schedule reflects the current status of development proposals and is consistent with the overall residential absorption update for Roseville which indicates that residential development in this part of the City would be absorbed by 2005, while all residential development potential in the City is estimated to be built out by 2010.

Commercial

Commercial development in the CFD includes community commercial parcels for neighborhood-serving uses, as well as major regional commercial development, and other commercial development allowed as part of parcels zoned for a mix of office (business professional) and commercial uses.

The completed Stanford Ranch Crossing power center totaling about 384,000 square feet is not included in the estimate of future land absorption. The regional mall currently under construction (grading phase) also is not included. The regional mall represents about 1.1 million square feet of development.

Table 3 presents the estimated land absorption for the remaining commercial development in the North Central Roseville CFD. Community commercial centers are estimated to be developed towards the latter phases of the residential development in those areas. The remaining regional commercial absorption represents the retail and hotel component of the Creekside project that has recently been approved. For the purposes of this analysis, that project is estimated to be absorbed within the next five years. The other commercial absorption represents commercial space in the mixed-use parcels. Absorption will occur in phases, and all space will be built and occupied by 2020. The schedule shown in the table is consistent with (but somewhat more conservative, i.e., at a slower pace, than) the market update analysis and the KMA market analysis for Roseville.

Business Professional (Office)

The CFD includes over 200 acres of land zoned for Business Professional (office) use, representing a development capacity of about 2.6 million square feet of space. Consistent with the conclusions of the market update analysis for the City of Roseville and the original KMA market analysis, not all of this land and building space will be absorbed by 2020.

Table 3 presents an estimated absorption schedule. The initial focus of Business Professional development will be the office component of the approved Creekside project (almost 500,000 square feet of development). After that, the absorption schedule reflects a more moderate pace of absorption consistent with (but somewhat more conservative than) the market update analysis and the KMA market analysis.

Just over one half of the Business Professional development in the CFD will be absorbed by 2020. The remaining 1.2 million square feet is likely to be absorbed over another 20 years, as illustrated in Table 4.

Light Industrial

There are about 84 acres of land zoned for light industrial use within the CFD. This does not include an additional 21 acres of land zoned light industrial reserve that is subject to utility easements. These parcels (adjacent to the other light industrial parcels) could be annexed to the CFD at some future date.

Table 3 presents the light industrial absorption schedule. All parcels would be absorbed by 2015, with development occurring in increments beginning sometime after the year 2000. There are currently no industrial development projects in the pipeline within the CFD.

TABLE 1: NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT LAND USE

Residential	**Acres**	**Units/a/**
Single Family	538	2,274
Multi Family	68	1,212
TOTAL	**606**	**3,486**
Non-Residential	**Acres**	**Gross Sq. Ft./b/**
Community Commercial	26	235,000
Regional Commercial/c/	200	2,095,000
Commercial/d/	112	1,048,000
Business Professional/d,e/	206	2,506,000
Industrial/f/	84	917,000
TOTAL	**627**	**6,801,000**

NOTES:

/a/ The number of units is reflects projects as approved or under review for most parcels and potential under current zoning for only two parcels.
Therefore, the total differs from the 3,593 unit capacity calculated by adding to the zoning capacity of the North Central Roseville Specific Plan Area the 20 additional units outside the NCRSPA but in the CFD.
The unit count does not include the proposed rezoning from BP to multi-family residential for Parcel 46.

/b/ Estimates reflect projects completed, under construction, approved and proposed, as well as estimates based on development density (FAR) assumptions for parcels without proposals in the pipeline. The following FAR assumptions were applied to estimate square footage based on acres: commercial - 0.21; BP (office) - 0.30; industrial - 0.25.
These assumptions are consistentwith assumptions in other planning and transportation analyses for the City of Roseville.

/c/ Includes the regional mall (Galleria at Roseville) and the regional commercial component of the Creekside project (including two hotels).

/d/ The Commercial category includes the commercial component of parcels zoned BP/Commercial.
The Business Professional category includes the BP component of those parcels. Consistent with other transportation and planning analyses for the City of Roseville, 60% of the development on parcels zoned BP/Commercial is assumed to be Commercial and 40% is assumed to be Business Professional (office).

/e/ Includes the office component of the Creekside project and Parcel 46 according to existing zoning.

/f/ Does not include the light industrial reserve parcels subject to utility easements and not included in the CFD.
These parcels represent an additional 21 acres of light industrial development potential.

SOURCE: Hausrath Economics Group and City of Roseville.

TABLE 2: NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT - ESTIMATED RESIDENTIAL ABSORPTION: 1999 - 2005

	1999	2000	2001	2002	2003	2004	2005	TOTAL
				Net Residential Acres/a/				
Single Family /b/	98.52	82.16	81.40	79.07	-	-	-	**341.15**
Multi Family /c/	-	12.00	-	21.00	-	17.22	-	**50.22**
TOTAL	**98.52**	**94.16**	**81.40**	**100.07**	-	**17.22**	-	**391.37**
				Residential Units Associated with Those Acres				
Single Family /b/	400	350	350	340	-	-	-	**1,440**
Multi Family /c/	-	236	-	400	-	240	-	**876**
TOTAL	**400**	**586**	**350**	**740**	-	**240**	-	**2,316**

NOTES:

Absorption of residential acres in this table represents land sales, i.e., sales of single family lots and sales of multi-family development parcels.

The total residential development capacity of the CFD, based on project approvals and current zoning, is 3,486 units on 606 acres

As of September 30, 1998, 605 units on 140.82 acres in the CFD were complete and 565 units on 71.99 acres were under construction (229 single family units and 336 multi-family units). These units and acres are not included in the estimates of future absorption.

In addition, 224 multi-family units are under review as a rezoning for Parcel 46 (from Business Professional). Future development status is unclear at this time. There are numerous planning issues to be resolved, including proximity to landfill and exceeding General Plan residential development capacity. These units and acres are not included in the estimates of future residential absorption.

/a/ Residentially-zoned acres, net of circulation, other infrastructure, and landscaping.

/b/ The development density for single family parcels averages about four units per net acre, ranging from 2.63 to 6.14 units per acre.

/c/ The development density for multi-family parcels averages about 18 units per net acre, ranging from 13.90 to 19.67 units per acre.

SOURCE: Hausrath Economics Group, and City of Roseville Planning Department, *Quarterly Development Activity Report - Third Quarter of 1998, July 1, 1998 - September 30, 1998*, published November 1998.

TABLE 3: NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT - ESTIMATED NON-RESIDENTIAL ABSORPTION: 1999 - 2020

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
	Net Acres/a/																						
Community Commercial					13.96				11.70														25.66
Regional Commercial				106.00																			106.00
Commercial/b/								32.67							2.09		30.02		7.30				72.08
Business Professional//b/				52.00				19.18				20.44			1.39		20.01						113.02
Light Industrial/c/					18.37		19.38			23.23			23.23										84.21
TOTAL	-	-	-	**158.00**	**32.33**	-	**19.38**	**51.85**	**11.70**	**23.23**	-	**20.44**	**23.23**	-	**3.48**	-	**50.03**	-	**7.30**	-	-	-	**400.97**
	Building Square Footage Associated with Those Acres (gsf)																						
Community Commercial					128,000				107,000														235,000
Regional Commercial				991,000																			991,000
Commercial/b/								304,000							19,000		275,000		67,000				665,000
Business Professional//b/				488,000				259,000				267,000			18,000		262,000						1,294,000
Light Industrial/c/					200,000		211,000			253,000			253,000										917,000
TOTAL	-	-	-	**1,479,000**	**328,000**	-	**211,000**	**563,000**	**107,000**	**253,000**	-	**267,000**	**253,000**	-	**37,000**	-	**537,000**	-	**67,000**	-	-	-	**4,102,000**

NOTES:

/a/ Acres zoned for non-residential use, net of circulation, other infrastructure, and landscaping.

/b/ The acres and building square footage for parcels zoned BP/Commercial are split between Commercial and Business Professional use.

/c/ Does not include the light industrial reserve parcels subject to utility easements and not included in the CFD. These parcels represent another 21 acres of light industrial development potential.

SOURCE: Hausrath Economics Group, and City of Roseville Planning Department, *Quarterly Development Activity Report - Third Quarter of 1998, July 1, 1998 - September 30, 1998, published November 1998.*

TABLE 4: NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT - ESTIMATED NON-RESIDENTIAL ABSORPTION: BEYOND 2020 TO BUILD-OUT

	2020-2025	2025-2030	2030-2035	2035-2040	TOTAL
			Net Acres/a/		
Business Professional//b/	27.97	25.79	25.79	13.20	92.75
TOTAL	**27.97**	**25.79**	**25.79**	**13.20**	**92.75**
			Building Square Footage Associated with Those Acres (gsf)		
Business Professional//b/	366,000	337,000	337,000	172,000	**1,212,000**
TOTAL	**366,000**	**337,000**	**337,000**	**172,000**	**1,212,000**

NOTES:

All non-residential uses besides business professional are estimated to be built-out by the year 2020.

/a/ Acres zoned for non-residential use, net of circulation, other infrastructure, and landscaping.

/b/ The acres and building square footage for parcels zoned BP/Commercial are split between Commercial and Business Professional use. The Business Professional component is included in the Business Professional category here.

SOURCE: Hausrath Economics Group, and City of Roseville Planning Department, *Quarterly Development Activity Report - Third Quarter of 1998, July 1, 1998 - September 30, 1998*, published November 1998.

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HAUSRATH ECONOMICS GROUP

MEMORANDUM

Date: December 11, 1998

To: Cydney Bender and Stephen Rosenthal

From: Sally Nielsen

cc: Peter Miller, Public Financial Management
Dan Gangwish, PaineWebber
Sohail Bengali, Stone & Youngberg
Phil Ezell, City of Roseville

Subject: **Market Context for North Central Roseville Community Facilities District Absorption Estimates**

This memorandum is a supplement to our December 2, 1998 memorandum **Absorption Estimates for the North Central Roseville Community Facilities District**. What follows is background on the regional and local market context supporting the absorption estimates presented in the December 2 memorandum.

The market conclusions summarized below are presented in more detail and supported with quantitative documentation in two reports prepared for the City of Roseville. The first report, *Market Absorption Study, City of Roseville, 1995 – 2020*, was prepared by Keyser Marston Associates, Inc. (KMA) in February 1996. The second report, *Market Absorption Update*, prepared by Hausrath Economics Group (HEG), is dated May 18, 1998. Both studies were undertaken for the City of Roseville to provide estimates of absorption and the demand for land for evaluation of planning proposals and for infrastructure phasing and financing analyses.

Population and Housing

Roseville has sustained a strong pace of residential growth for at least 10 years. From 1987 through 1997, an average of 1,275 residential occupancy permits were issued each year. Over a longer 15-year period, including the slower growth period of the early 1980's before the Specific Plan program was implemented, the average rate is about 1,100 units per year.

This rate of residential development has been in response to strong demand for housing in South Placer County and in Roseville in particular. The City has maintained an annual population

growth rate of 5.7% over the 20 years from 1978 to 1998, in one of the fastest growing counties in the region and the state. Projections of future population growth in Roseville under the current General Plan indicate a slowing of this rate over time. The population projections on which the residential absorption estimates presented in the December 2 memorandum are based reflect an annual compound growth rate of 3.5% per year from 1995 through 2010, when the City's supply of residential land (under current zoning) would be built-out.

According to the 1996 Keyser Marston Associates' *Market Absorption Study,* the City's reputation for high levels of public services and good schools will continue to attract new residents, and Roseville will continue to be a dominant presence in the regional housing market. In fact, the current supply constraints in the General Plan result in substantial unmet housing demand in Roseville through 2020.

Residential development potential in the North Central Roseville Community Facilities District (CFD) is an important component of overall projected residential development in the City. Almost 20,000 units are estimated to be absorbed in Roseville from 1995 through 2010 (HEG, *Market Absorption Update*, May 18, 1998). Development in the CFD represents about 20% of the total.

Business Activity, Employment, and Non-Residential Development

Roseville is expected to become an increasingly important center for business activity and employment over time. Employment projections prepared for the City by KMA and HEG indicate an annual employment growth rate of 4.4% from 1995 through 2020.

The City has attracted major employers in the past (Hewlett Packard, NEC Electronics, regional medical centers), and those operations are expanding. Smaller operations that serve the large manufacturers are attracted to Roseville. Roseville is well-positioned within South Placer County to become a regional retail and business center. The City's large and skilled labor pool, housing stock attractive to executives and others, high level of public services, and overall image and identity are among the factors that favor non-residential development in Roseville, in a market where there is abundant land supply. Achieving continued strong growth in the non-residential sector in Roseville will depend, however, on completion of major infrastructure projects, especially major freeway interchanges and new roadways.

A major reason for the market absorption update prepared for Roseville earlier this year by HEG was the substantial jump in non-residential absorption and project proposals since 1995. Between 1995 and 1997, absorption for all three non-residential land uses combined totaled 2.3 million square feet and (in May 1998) the City had approved an additional 7.1 million square feet of non-residential development. These numbers were large when compared to total development of 3.4 million square feet for the five year period from 1990 to 1995 and indicated that the KMA projections for the short-term beyond 1995 were low, having under-estimated pent-up demand following the recession.

Commercial

Roseville is establishing itself as a major retail center for the South Placer region. In addition, strong population and employment growth in the City support expansion of local-serving retail development.

Projections of future retail activity in the City consider the spending potential associated with population and employment growth as well as changes in spending patterns as the share of total retail spending captured by development in the City increases. Both KMA and HEG projections show Roseville in the near-term future capturing spending of local residents that is now occurring outside the City and also attracting spending from a broader regional market area including residents of surrounding counties. Development of the regional mall in the North Central CFD, Galleria at Roseville—anchored by Macy's, Nordstrom, Sears, and J.C. Penney—is expected to attract a broader array of regional retailers to the City as well.

Between 1994 and 1997, Roseville added just over one million square feet of commercial development to its inventory. In September 1998, there are over two million square feet in the pipeline, representing a 40% increase in the inventory of commercial space in the City (not counting the office component of the approved Creekside project). The great majority (83%) of that space in the pipeline is in the North Central CFD (the regional mall and the retail and hotel components of the approved Creekside project).

Citywide, approximately seven million square feet of new commercial development are projected to be absorbed between 1995 and 2020. The KMA and HEG projections indicate 6.3 million additional square feet and 7.6 million additional square feet, respectively. Much of that development (as represented by the regional mall and other regional retail proposals) is already in the pipeline (approved or under construction). Overall, absorption in the North Central CFD (including local-serving commercial development, such as neighborhood shopping centers and eating and drinking establishments, as well as major regional retail outlets) represents about 40% of total absorption citywide over the 1995 through 2020 period.

Business Professional (Office)

Roseville is already a regional center for medical offices and is expected to become a more important part of the regional office market over time. As reported in the KMA *Market Absorption Study*, the inventory of office space in the Sacramento regional office market increased by over 2.5 million square feet per year in the late 1980s. In 1990, the Roseville/Rocklin sub-market represented 4.1% of the regional office market, but 12 – 15 % of the space constructed during 1990 and planned for the 1990 to 1994 period. The recession cut regional absorption rates in half, but expectations are that regional office absorption should return to a pace of about two million square feet per year over the long-term. Relocation and expansion of back-office operations of Bay Area-based companies have been and will continue to be key components of office demand in the Roseville/Rocklin sub-market. The area is expected to capture about 5 – 6% of the regional office market in the future.

Roseville's appeal as an office location will increase as the address becomes more established, as interchanges and parkways are developed, and the regional mall is developed. The development

of the regional mall in Roseville (in the CFD) will enhance Roseville's appeal as an office location because office businesses see regional shopping opportunities as an important amenity for employees. The office/business park acreage in the CFD should be particularly well-positioned because of its proximity to the mall and because of the visibility and accessibility of the sites. In fact, developers have submitted plans in anticipation of starting construction next year for the office development component of the recently approved Creekside project across from the Galleria at Roseville.

From 1994 through 1997, just over one million square feet of office development was added to the Roseville inventory. Rocklin's Stanford Ranch continues to be the more established and attractive location for major office users. At the end of 1998, 405,000 square feet of office development is in the pipeline. Projections (KMA and HEG) indicate absorption of about six million square feet citywide from 1995 through 2020, about 240,000 square feet per year on average. Absorption of that amount of space, resulting in four times more office space than existed in 1995, would not exhaust the supply potential for office development under current zoning. Another three million square feet of development potential remains after absorption through 2020.

The office development capacity of the North Central CFD represents about 20% of total office development capacity in the City and about the same share of projected citywide absorption. The remaining development capacity in the CFD beyond 2020 is almost 40% of the remaining development potential citywide.

Light Industrial

The South Placer sub-market is an important element of the Sacramento regional industrial real estate market. The KMA *Absorption Study* reports that the sub-market (defined as Roseville, Rocklin, and the Sunset Industrial Area in unincorporated Placer County) has accounted for about 8% of the total regional market. This share is expected to increase in the future with expansions of existing firms and attraction of new firms of all sizes. Roseville is particularly well-positioned within the sub-market because of the strength and expansion plans of high profile existing companies, the spin-off activity associated with those major operations, transportation access, established identity, commitment of water and electric service through city-owned utilities, levels of public services, and skilled labor pool.

From 1995 through 1997, Roseville's inventory of industrial building space increased by about 850,000 square feet to just over five million square feet. There are currently projects totaling over two million square feet of industrial space in the pipeline (under construction or approved), representing a 40% expansion of the inventory. Citywide projections (KMA and HEG) indicate absorption of about 10 million square feet of industrial development from 1995 through 2020. At that time, there would still be an additional six million square feet of industrial development capacity.

Absorption of just under one million square feet of industrial space in the North Central CFD represents about 10% of total projected absorption citywide by 2020. The North Central sites are prime industrial sites because of their visibility along Highway 65 and their proximity to the existing and expanding industrial activity in the North Industrial Area.

HAUSRATH
ECONOMICS
GROUP

MEMORANDUM

Date: January 27, 1999

To: Cydney Bender and Stephen Rosenthal

From: Sally Nielsen

Subject: **More on Reconciliation of Absorption Estimates**

I have revised the estimates of acres and square footage for regional commercial and BP based on the Creekside information you transmitted. Thank you!!!

For the estimate of acres by use I used the breakdown you gave from the planning department. That total of 103.58 acre is about 12 acres less than the amount I would get if I used the parcel acreages for the relevant parcels from the specific plan account (115.9 acres for retail, hotel, and office uses not counting the open space and easement parcels). It is also about 30 acre less than the 133.59 acre total from the assessor's data shown on your "Commercial Unimproved-Absorbed" table.

Revised tables 1 and 3 follow.

With these revisions, the grand total acres of residential and non-residential use in the CFD works out to 1,174 acres.

I agree with your absorption scenario. I have changed Table 3 to show only the hotel component and the remaining 60% of the office component of Creekside absorbed in 2002. I have also removed the 7.3 acres of commercial absorption shown in 2017 as I now understand those parcels are incorporated in the Creekside project.

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TABLE 3: NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT - ESTIMATED NON-RESIDENTIAL ABSORPTION: 1999 - 2020

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
	Net Acres/a/																						
Community Commercial					13.96				11.70														25.66
Regional Commercial				6.10																			6.10
Commercial/b/								32.67							2.09		30.02						64.78
Business Professional/b/				15.77				19.18				20.44			1.39		20.01						76.79
Light Industrial/c/					18.37		19.38			23.23			23.23										84.21
TOTAL	-	-	-	21.87	32.33	-	19.38	51.85	11.70	23.23	-	20.44	23.23	-	3.48	-	50.03	-	-	-	-	-	257.54
	Building Square Footage Associated with These Acres (gsf)																						
Community Commercial					128,000				107,000														235,000
Regional Commercial				155,000																			155,000
Commercial/b/								304,000							19,000		275,000						598,000
Business Professional/b/				261,000				259,000				267,000			18,000		262,000						1,067,000
Light Industrial/c/					200,000		211,000			253,000			253,000										917,000
TOTAL	-	-	-	416,000	328,000	-	211,000	563,000	107,000	253,000	-	267,000	253,000	-	37,000	-	537,000	-	-	-	-	-	2,972,000

NOTES:

/a/ Acres zoned for non-residential use, net of circulation, other infrastructure, and landscaping.

/b/ The acres and building square footage for parcels zoned BP/Commercial are split between Commercial and Business Professional use.

/c/ Does not include the light industrial reserve parcels subject to utility easements and not included in the CFD. These parcels represent another 21 acres of light industrial development potential.

SOURCE: Hausrath Economics Group, and City of Roseville Planning Department, *Quarterly Development Activity Report - Third Quarter of 1998, July 1, 1998 - September 30, 1998, published November 1998.*

TABLE 1: NORTH CENTRAL ROSEVILLE COMMUNITY FACILITIES DISTRICT LAND USE

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TOTAL	**606**	**3,486**
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Community Commercial	26	235,000
Regional Commercial/c/	171	2,061,000
Commercial/d/	106	981,000
Business Professional/d,e/	180	2,453,000
Industrial/f/	84	917,000
TOTAL	**568**	**6,647,000**

NOTES:

/a/ The number of units reflects projects as approved or under review for most parcels and potential under current zoning for only two parcels.
Therefore, the total differs from the 3,593 unit capacity calculated by adding to the zoning capacity of the North Central Roseville Specific Plan Area the 20 additional units outside the NCRSPA but in the CFD.
The unit count does not include the proposed rezoning from BP to multi-family residential for Parcel 46.

/b/ Estimates reflect projects completed, under construction, approved and proposed, as well as estimates based on development density (FAR) assumptions for parcels without proposals in the pipeline. The following FAR assumptions were applied to estimate square footage based on acres: commercial - 0.21; BP (office) - 0.30; industrial - 0.25. These assumptions are consistent with assumptions in other planning and transportation analyses for the City of Roseville.

/c/ Includes the regional mall (Galleria at Roseville) and the commercial retail component of the Creekside project (including two hotels).

/d/ The Commercial category includes the commercial component of parcels zoned BP/Commercial.
The Business Professional category includes the BP component of those parcels. Consistent with other transportation and planning analyses for the City of Roseville, 60% of the development on parcels zoned BP/Commercial is assumed to be Commercial and 40% is assumed to be Business Professional (office).

/e/ Includes the office component of the Creekside project and Parcel 46 according to existing zoning.

/f/ Does not include the light industrial reserve parcels subject to utility easements and not included in the CFD.
These parcels represent an additional 21 acres of light industrial development potential.

SOURCE: Hausrath Economics Group and City of Roseville.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The analyses, opinions, and conclusions contained in this report are our personal, unbiased and professional analyses, opinions and conclusions, and are limited only by the reported assumptions and limiting conditions of this report.

3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

4. Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation.

7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

8. As of the date of this report, Stephen Rosenthal and Cydney G. Bender, have completed the requirements of the continuing education program of the Appraisal Institute.

9. Stephen Rosenthal and Cydney Bender are Certified General Appraisers in the State of California.

10. Mr. Rosenthal and Ms. Bender conducted an inspection of the property that is the subject of this report.

11. No one provided significant professional assistance to the undersigned in the preparation of this report.

12. The appraiser is competent to complete this report in accordance with the Competency Provisions in the USPAP.

Stephen A. Rosenthal, MAI

Cydney G. Bender, MAI

BR98168

ADDENDUM D

APPRAISERS' QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS OF STEPHEN A. ROSENTHAL, MAI (Partner in the firm of Bender Rosenthal)

Professional Experience

Stephen A. Rosenthal has been continuously active in real estate valuation and related fields since 1969. As a senior investment officer for a real estate pension fund advisor (FIA Associates, Inc.) to public pension funds from 1984 to 1991, Mr. Rosenthal valued and acquired fee, leasehold, and mortgage interests in numerous office, industrial, retail, and apartment properties located in various metropolitan areas throughout the United States. Prior to that he was a mortgage loan underwriter/valuator for IDS Life Insurance Company (national accounts; based in Minneapolis) and a commercial property appraiser for Equitable Life Assurance Society (southwestern U.S.; based in Los Angeles). Since early 1991 Mr. Rosenthal has been an independent appraisal contractor in the Sacramento area, performing appraisal services for a variety of clients on both his own company's letterhead and for other appraisal firms. During 1993 - 1994 he was also a valuation consultant affiliated with BARD CONSULTING, a San Francisco based pension fund consulting and advisory firm. Mr. Rosenthal has testified as an expert witness in court sponsored mediation sessions.

Formal Education

University of California Los Angeles (UCLA), Anderson School
MBA degree (Urban Land Economics emphasis)

University of Wisconsin-Madison
BS degree (English major)

Specialized Education

Appraisal Institute:
- Real Estate Principles
- Urban Properties
- Investment Analysis
- Standards of Professional Practice

College-level Courses:
Certificate in Real Estate, UCLA Extension. Curriculum included courses in Real Estate Principles, Law, Finance, and Appraisal.

Major Seminars, Short Courses:
Farm Appraisal, Argus Discounted Cash Flow Applications, Financial Calculator Usage, ADA, Electronic Data Interchange (EDI), Eminent Domain, Internet, many others

Professional Affiliations

Member of Appraisal Institute (MAI, Certificate No. 6495)
(And currently President of the Sacramento Sierra Chapter, a member of the national APPRAISAL JOURNAL Review Committee, a member of the Regional Ethics and Counseling Committee, and a writer for the Sacramento Sierra Chapter newsletter.)
Member of the Urban Land Institute (ULI)
Member, Urban and Regional Information Systems Association (URISA)
Captain, U. S. Naval Reserve (Retired)
Former member of ICSC, NAIOP, and PREA

Certifications, Licenses

Licensed as a Certified General Real Estate Appraiser, State of California, #AG002263
California Real Estate Broker License

Publications

Articles have been published in the APPRAISAL JOURNAL, the MORTGAGE BANKER, and APPRAISAL NEWS AND REVIEW (Chapter newsletter)

PROFESSIONAL QUALIFICATIONS OF CYDNEY G. BENDER, MAI (Partner in the firm of Bender Rosenthal)

Cydney G. Bender, MAI has been in real estate appraising and consulting since 1991. Her professional experience in real estate appraisal encompasses a broad range of property types that include office, retail, multi-family, mobile homes, park land, elderly housing, condemnation, and residential subdivisions. She is a member of the Appraisal Institute with the MAI designation and is a Certified General Real Estate Appraiser in the State of California, No. AG017559.

Ms. Bender is the Past President of the Sacramento Chapter of the Construction Specifications Institute, former Chief Financial Officer of the Commercial Real Estate Women, Sacramento and a member of the International Right-of-Way Association.

Prior to her career in real estate, Ms. Bender attended California Polytechnical State University in San Luis Obispo, majoring in Agricultural Business Management. Upon graduation she entered the commercial construction field as a Project Manager for a Sacramento based general contractor. Projects included tenant improvements, manufacturing plants, auto dealerships, industrial warehouses and elderly housing ranging in cost from $60,000 to $1.5 million in dollar volume. This unique background enables her to grasp complicated construction issues as they relate to valuation.

Representative Valuations Include

Office - Existing and proposed office developments for lending institutions, national developers, and investors.

Retail - Proposed and existing shopping centers and franchise restaurants, convenience stores, and pad sites.

Multi-Family Residential - Existing and proposed apartment complexes, in the Sacramento Metropolitan Area, Placer, San Luis Obispo, Santa Clara counties, and Las Vegas, Nevada including low income housing.

Medical - Existing and proposed medical clinics and dental offices.

Mobile Homes - Existing mobile home parks in the Alameda, Sacramento, Solano, and Yolo counties.

Elderly Housing - Proposed congregate care and residential care facilities.

Residential Developments - Proposed and existing residential subdivisions in Sacramento, Placer, El Dorado, Sutter, Yuba and Lake counties.

Eminent Domain - Improved and unimproved properties of partial takings representing municipalities, conservancies, and property owners. Eminent domain valuation of improved properties for the Sacramento Housing and Redevelopment Agency, City of Sacramento, and the City of Roseville.

Professional Affiliations

Member Appraisal Institute (MAI)
Past President, Construction Specifications Institute
President, Commercial Real Estate Women, Sacramento,
International Right-of-Way Association

ADDENDUM E

LISTS OF CFD PROPERTIES, WITH VALUE ALLOCATIONS

Major Owner Summary -- VACANT Commercial Properties

Commercial - Vacant

Owner Name	*Count*	*Acres*	*Retail Value*	*Allocated Bulk Value*
Chiurlia Nicola & Reniea	1	29.4	$7,034,071	$1,112,016
Evergreen - Creekside Llc	2	55	$14,644,872	$2,315,208
Peter P Bollinger Investment Co.	5	69.3	$27,198,864	$4,299,868
Richland Irvine Inc	7	136.2	$41,647,716	$6,584,087
SUBTOTALS:	**15**	**289.9**	**$90,525,523**	**$14,311,180**

Industrial - Vacant

Owner Name	*Count*	*Acres*	*Retail Value*	*Allocated Bulk Value*
Richland Irvine Inc	2	90.6	$7,498,418	$1,185,425
SUBTOTALS:	**2**	**90.6**	**$7,498,418**	**$1,185,425**
GRAND TOTALS:	***17***	***380.5***	**$98,023,941**	**$15,496,605**

Major Owner Summary -- VACANT Residential Properties

Multi-Family - Vacant

Owner Name	*Count*	*Acres*	*Retail Value*	*Allocated Bulk Value*
Chiurlia Nicola & Renlea	1	7.3	$1,022,000	$715,663
Richland Irvine Inc	2	41.9	$5,866,000	$4,107,709
Spanos Corporation The	2	12.2	$2,440,000	$1,708,628
SUBTOTALS:	**5**	**61.4**	**$9,328,000**	**$6,532,000**

Residential - Vacant

Owner Name	*Count*	*Acres*	*Retail Value*	*Allocated Bulk Value*
Cresleigh Homes Corporation	90	27.73	$7,014,900	$4,912,235
D R Horton Inc	60	10.04	$1,773,500	$1,241,906
Delta Highlands	73	19.74	$5,282,000	$3,698,759
Delta-Sierra Properties	1	8.2	$1,836,800	$1,286,233
Hill Country Sa Ltd	4	39.7	$5,668,140	$3,969,156
Jaguar Partnership	1	10.9	$1,510,740	$1,057,907
Jaguar Partnership C & O Avant	1	6.3	$907,200	$635,273
John Mourier Construction Inc	36	7.65	$2,200,500	$1,540,916
Lennar Renaissance Inc	143	19.3	$7,347,000	$5,144,790
Lewis Homes Enterprises	58	17.2	$5,426,000	$3,799,596
Morrison Homes Northern Div	51	7.56	$2,161,000	$1,513,256
Pappas Arizona Limited Partner	2	22.8	$3,388,440	$2,372,780
Polygon Diamond Oaks Lp	2	33.8	$8,040,800	$5,630,629
Richland Irvine Inc	1	22.1	$3,208,920	$2,247,070
Smc Development Corp	24	31.53	$7,051,530	$4,937,885
Strain Frederick S Et. Al	5	1.17	$322,500	$225,833
U S Home Corporation	20	3.08	$1,062,500	$744,023
Warmington A & R Associates Lp	6	55.8	$9,948,320	$6,966,384
Winncrest Homes Inc	1	7.4	$4,256,000	$2,980,295
x-Miscellaneous	102	21.29	$6,214,260	$4,351,581
SUBTOTALS:	**681**	**373.29**	**$84,621,050**	**$59,256,508**
GRAND TOTALS:	***686***	***434.69***	**$93,949,050**	**$65,788,508**

ADDENDUM F

DISCOUNTED VALUATION ANALYSES

NORTH CENTRAL ROSEVILLE CFD -- RESIDENTIAL ABSORPTION

03/09/99

ABSORPTION PROJECTION AND DISCOUNTED VALUE ANALYSIS

ABSORPTION PATTERN, BASED ON HAUSRATH ABSORPTION PROJECTION			0 1999	1 2000	2 2001	3 2002	4 2003	5 2004	Totals
Single Family	341.15	(1,440 units)	28.9%	24.1%	23.9%	23.2%	0.0%	0.0%	100.0%
Multi-Family	50.22	(876 units)	0.0%	23.9%	0.0%	41.8%	0.0%	34.3%	100.0%
	391.37	(2,316 units)							
ABSORPTION PROJECTION (ACRES) (B/R)									
Single Family	373.29		107.80	89.90	89.07	86.52	0.00	0.00	373.29
Multi-Family	61.4		0.00	14.67	0.00	25.68	0.00	21.05	61.40
Totals	434.69		107.80	104.57	89.07	112.19		21.05	434.69
Cummulative Acres Absorbed			107.80	212.37	301.44	413.64	413.64	434.69	

SALES ANALYSIS, BASED ON ABSORPTION FROM ABOVE

	Units	Acres	Valuation choices: Average Value/unit	Average Value/Acre	Undiscounted Values							
Single Family	1,831	373.29	$46,216	$226,690	$84,621,050	$24,437,537	$20,379,497	$20,190,982	$19,613,034	$0	$0	
Multi-Family	933	61.4	$10,000	$151,922	$9,328,000	$0	$2,228,913	$0	$3,900,597	$0	$3,198,490	
Totals	2,764	434.69	$33,993	$216,129	$93,949,050							
Total Sales per Period						$24,437,537	$22,608,410	$20,190,982	$23,513,631	$0	$3,198,490	$93,949,050

Present Value Discount Rate	15%
Present Value of Sales, Before Holding Costs	$80,118,591
(Per Acre)	$184,312

PRELIMINARY DEVELOPMENT AND HOLDING EXPENSE ANALYSIS

Marketing Costs @ 5% of Sales	$1,221,877	$1,130,420	$1,009,549	$1,175,682	$0	$159,924
Taxes, Assessments, Bond Debt Service @1.1% plus $6,300 per year on remaining property	$3,032,911	$2,187,155	$1,416,000	$614,490	$167,687	$83,844
Administration, Insurance, Other Holding Costs @ $200 per remaining acre per year	$86,884	$54,920	$50,000	$50,000	$50,000	$50,000
Total Operating Expenses	$4,341,672	$3,372,496	$2,475,549	$1,840,171	$217,687	$293,768
Sales Less Expenses (Discount this row)	$20,095,865	$19,235,914	$17,715,433	$21,673,460	($217,687)	$2,904,722
	(NOT DISCOUNTED)					

DISCOUNTED VALUE ANALYSIS

Discount Rate	15%						
Present Value of Each Year's Net Proceeds:	$20,095,865	$16,726,882	$13,395,412	$14,250,651	($124,463)	$1,444,160	$65,788,508

Present Value	**$65,788,508**
(Per Acre)	**$151,346**
(As a Factor)	**70.0%**

Sensitivity to Discount Rate:			
	12%	$68,277,016	1.04 times
	15%	$65,788,508	Base scenario
	18%	$63,515,201	0.97 times

Sensitivity to Absorption Rate:			
Greater by:	25%	$70,605,210	1.07 times
	same	$65,788,508	Base scenario
Lesser by:	25%	$57,688,471	0.88 times

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NORTH CENTRAL ROSEVILLE CFD – NON-RESIDENTIAL

ABSORPTION PROJECTION AND DISCOUNTED VALUE ANALYSIS

		0 1999	1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009	11 2010	12 2011	13 2012	14 2013	15 2014	16 2015	17 2016	18 2017	19 2018	20 2019	21 2020	22 and beyond	TOTALS
ABSORPTION PROJECTION (NET LAND ACRES) (B/R)																									
Community Commercial	27	0	0	0	0	15	0	0	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	TOTALS
Regional Commercial	55	0	0	0	55	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	27.10
Commercial	64	0	0	0	0	0	0	0	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	65.00
Business Professional	144	0	0	0	13	0	0	0	15	0	0	0	0	0	0	2	0	30	0	0	0	0	0	0	64.28
Light Industrial	91	0	0	0	0	20	0	21	0	0	25	0	0	25	0	0	0	0	0	0	0	0	0	82	143.52
Total Acres	381																								80.60
Total Acres/period		0.00	0.00	0.00	67.57	34.51	0.00	20.85	47.71	12.36	24.99	0.00	18.30	24.99	0.00	3.18	0.00	45.74	0.00	0.00	0.00	0.00	0.00	82.29	380.50
Total Cumulative Acres		0.00	0.00	0.00	67.57	102.08	102.08	122.93	170.64	183.00	207.99	207.99	224.29	249.28	249.28	252.46	252.46	298.21	298.21	298.21	298.21	298.21	298.21	380.50	

SALES ANALYSIS, BASED ON ABSORPTION FROM ABOVE

	Average Value/acre	(PSF)	Undiscounted Values																						
Community Commercial	$566,260	$13.00	$15,348,186	$0	$0	$0	$0	$8,348,900	$0	$0	$0	$6,997,288	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Regional Commercial	$266,152	$6.11	$14,636,338	$0	$0	$0	$14,636,338	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Commercial	$348,302	$7.95	$22,280,293	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Business Professional	$268,587	$6.12	$38,280,505	$0	$0	$0	$3,352,053	$0	$0	$0	$11,226,362	$0	$0	$0	$0	$718,185	$0	$10,315,745	$0	$0	$0	$0	$0	$0	$0
Light Industrial	$82,764	$1.90	$7,498,418	$0	$0	$0	$0	$1,635,743	$0	$1,725,678	$4,078,078	$0	$0	$0	$4,344,703	$0	$295,457	$0	$4,253,303	$0	$0	$0	$0	$0	$0
Sum of the Retail Values			$98,003,832																						$21,938,200
(Per Acre)			$257,566																						$0
(Per Square Foot)			$5.91																						
Total Sales per Period				$0	$0	$0	$17,990,391	$9,984,644	$0	$1,725,678	$15,303,241	$6,997,288	$2,088,499	$0	$4,344,703	$2,088,499	$0	$1,013,642	$0	$14,569,048	$0	$0	$0	$0	$0	$21,938,200
Discount Rates		15%																							$98,003,832
Present Value(s) of Sales		$30,946,476																							
(Per Acre)		$81,331																							
(Per Square Foot)		$1.87																							$1,013,558
																									$12,316
																									$0.28
PRELIMINARY DEVELOPMENT AND HOLDING EXPENSE ANALYSIS																									
Marketing Costs @ 5% of Sales				$0	$0	$0	$899,520	$499,232	$0	$86,284	$765,162	$349,864	$103,425	$0	$217,235	$103,425	$0	$50,682	$0	$728,452	$0	$0	$0	$0	$0	$1,096,910
Taxes and Assessments @1.1% of value of remaining property				$170,462	$170,462	$170,462	$155,338	$132,460	$124,730	$120,080	$104,702	$91,247	$82,861	$77,283	$73,632	$64,383	$58,785	$56,072	$57,359	$47,113	$36,867	$36,867	$36,867	$36,867	$36,867	$18,433
Bond Debt Service @ $6100 per remaining acre per year				$2,321,050	$2,321,050	$2,321,050	$2,114,949	$1,803,801	$1,698,354	$1,634,760	$1,425,648	$1,242,443	$1,128,527	$1,052,299	$1,002,592	$878,657	$800,429	$790,723	$781,018	$641,502	$501,986	$501,986	$501,986	$501,986	$501,986	$250,993
Administration, Insurance, Other Holding Costs @ $200 per remaining acre per year				$76,100	$76,100	$76,100	$69,343	$59,134	$55,684	$53,599	$46,743	$40,736	$37,001	$34,502	$32,872	$29,743	$26,244	$25,925	$25,607	$21,033	$16,459	$16,459	$16,459	$16,459	$16,459	$8,229
Total Operating Expenses, Including Bond payments				$2,567,612	$2,567,612	$2,567,612	$3,238,138	$2,494,428	$1,878,768	$1,894,702	$2,342,255	$1,724,290	$1,351,634	$1,164,084	$1,326,331	$1,073,208	$885,458	$925,403	$863,984	$1,438,100	$555,311	$555,311	$555,311	$555,311	$555,311	$1,374,566
Sales Less Expenses				($2,567,612)	($2,567,612)	($2,567,612)	$14,751,254	$7,490,216	($1,878,768)	($169,024)	$12,960,987	$5,272,997	$716,664	($1,164,084)	$3,018,372	$995,291	($885,458)	$88,239	($863,984)	$13,130,948	($555,311)	($555,311)	($555,311)	($555,311)	($555,311)	$20,563,634
DISCOUNTED VALUE ANALYSIS																									
Discount Rate		15%																							
Present Value of Each Year's Net Proceeds				($2,567,612)	($2,232,706)	($1,941,484)	$9,999,189	$4,282,555	($934,080)	($73,074)	$4,872,515	$1,723,752	$203,721	($287,744)	$648,779	$186,027	($143,912)	$12,471	($106,179)	$1,403,236	($51,603)	($44,872)	($39,019)	($33,930)	($29,504)	$950,052	$15,498,577
Present Value		$15,498,577																							
(Per Acre)		$40,727																							
(Per Square Foot)		$0.93																							
As a Factor		15.8%																							

Sensitivity to Discount Rate:			
12%	$19,131,420	1.23 times	
15%	$15,498,577	base scenario	
18%	$12,734,921	0.82 times	

Sensitivity to Absorption:			
Greater by	25%	$18,418,472	1.19 times
		$15,498,577	base scenario
Lesser by	25%	$11,949,478	0.77 times

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following summary of the Fiscal Agent Agreement is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Fiscal Agent Agreement for the complete terms thereof.

Definitions

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code.

"Administrative Expenses" means any or all of the following the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties under the Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to the Fiscal Agent Agreement, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the refunding of the Prior Bonds and/or the discharge of their respective duties under the Fiscal Agent Agreement (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under the Fiscal Agent Agreement.

"Agreement" means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year.

"Authorized Officer" means the City Director of Finance, the City Manager or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means (i) Cox, Castle & Nicholson LLP, or (ii) any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 1999.

"Bonds" means the City of Roseville North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds Series 1999 at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

"City" means the City of Roseville, California, and any successor thereto.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of June 1, 1999, by and among the City and U.S. Trust Company, National Association, in its capacity as Fiscal Agent and in its capacity as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds and the refunding of the Prior Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the City in connection with the issuance of the Bonds, financial advisor fees, Bond (underwriter's) discount or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"DTC" means the Depository Trust Company, New York, New York, and its successors and assigns.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Director of Finance" means the Director of Finance of the City.

"District" means the City of Roseville North Central Roseville Community Facilities District No. 1 formed pursuant to the Resolution of Formation.

"Escrow Agent" means U.S. Trust Company, National Association, and its successor and assigns, acting as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement, dated as of June 1, 1999, by and between the City and the Escrow Agent, as amended from time to time.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers in the Fiscal Agent Agreement provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Information Services" means Financial Information, Inc 's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10064; Moody's Investors Service "Municipal and Government," 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention Municipal News Reports; Standard & Poor's Ratings Services "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing September 1, 1999.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the City levying the Special Taxes.

"Original Purchaser" means the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Federal Securities;

(ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors' Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than $100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) or (iv) above;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiv) any other lawful investment for City funds.

"Prepayment" means any amounts received by the Fiscal Agent as prepayment in whole or in part of the Special Tax, including interest and premiums related thereto.

"Principal Office" means the corporate trust office of the Fiscal Agent set forth in the Fiscal Agent Agreement, or such other or additional offices as may be designated by the Fiscal Agent.

"Prior Bonds" means the City of Roseville North Central Roseville Community Facilities District No. 1 Special Tax Bonds, issued in June 1991 in the original principal amount of $58,420,000.

"Record Date" means the 15th day of the month next preceding the month of the applicable Interest Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Fund Credit Instrument" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's.

"Reserve Requirement" means an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average annual Debt Service, or (c) 10% of the total proceeds of the Bonds deposited under the Fiscal Agent Agreement.

"Resolution of Formation" means Resolution No. 90-184, adopted by the City Council of the City on August 1, 1990, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange

Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

"Treasurer" means the duly acting Treasurer of the City.

Special Tax Revenues; Flow Of Funds

Pledge of Special Tax Revenues. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited into the such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in their entirety to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds.

Special Tax Fund.

Establishment of Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds Series 1999 Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenue received by the City and any amounts required by the Fiscal Agent Agreement to be deposited therein. Within the Special Tax Fund, the Treasurer shall establish and maintain two accounts, (i) the Debt Service Account, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenue received by the City and any amounts required by the Fiscal Agent Agreement to be deposited in the Special Tax Fund, and (ii) the Surplus Account, to the credit of which the City shall deposit Surplus Special Tax Revenue described below. Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. All Special Tax Revenue shall be deposited in the Debt Service Account upon receipt. At such time as deposits to the Debt Service Account equal to the principal, premium if any, and interest becoming due on the Bonds for the current Bond Year, the amount in excess of such amount may, at the discretion of the City be transferred to the Surplus Account. No later than ten (10) Business Days prior to each Interest Payment Date, the City shall withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. After the transfers under subsections (i) and (ii) have been made, the City may, on September 15th of each year transfer to the Surplus Account the amount remaining in the Debt Service Account.

From time to time, the City may withdraw from Surplus Account of the Special Tax Fund amounts needed to pay the Subsequent Improvements described in the Special Tax Formula. Moneys in the Surplus Account may, at the City's discretion, also be used to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement.

From time to time, the City shall withdraw from Debt Service Account and/or the Surplus Account of the Special Tax Fund amounts needed to pay the City Administrative Expenses; provided that such transfers shall not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses.

Bond Fund.

Establishment of Bond Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds Series 1999 Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement or the Act. There is established in the Fiscal Agent Agreement as a separate account within the Bond Fund to be held by the Fiscal Agent the Prepayment Account. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the Treasurer and Director of Finance of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Treasurer and Director of Finance such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Reserve Fund.

Establishment of Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds Series 1999 Reserve Fund. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument.

The City shall have the right at any time, including on the date of delivery of the Bonds, in lieu of a deposit of funds to the Reserve Fund, to tender to the Fiscal Agent a Reserve Fund Credit Instrument. Prior to the expiration of any Reserve Fund Credit Instrument, the City shall be obligated either (a) to replace such Reserve Fund Credit Instrument with a new Reserve Fund Credit Instrument, or (b) to deposit or cause to be deposited in the Reserve Fund an amount of moneys equal to the Reserve Requirement; *provided, however,* that if the City shall fail to

replace an expiring Reserve Fund Credit Instrument or to deposit moneys equal to the Reserve Requirement, the Fiscal Agent shall draw on such Reserve Fund Credit Instrument before such expiration to provide moneys to fund the Reserve Fund in the amount of the Reserve Requirement, and shall transfer into the Reserve Fund.

Use of Fund. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Treasurer and the Director of Finance.

Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to_any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of the principal of and interest on the Bonds.

Transfer for Rebate Purposes. Investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with rebate requirements.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and make any transfer required under the Fiscal Agent Agreement, the Fiscal Agent shall transfer in accordance with the Fiscal Agent Agreement the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City, after payment of any amounts due the Fiscal Agent under the Fiscal Agent Agreement, to be used for any lawful purpose of the City.

Costs of Issuance Fund.

Establishment of Costs of Issuance Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds Series 1999 Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Director of Finance and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 45 days from the date of delivery of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund.

Certain Covenants Of The City

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund created under the Fiscal Agent Agreement.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien in the Fiscal Agent Agreement created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. The Fiscal Agent shall provide the Treasurer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer shall in no way affect the obligations of the Treasurer under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Director of Finance to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Director of Finance, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Prior Bonds or the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and Regulations.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Default. If the City shall (i) fail to pay principal or interest or premiums on the Bonds when due and payable as provided in the Fiscal Agent Agreement or (ii) fail to observe any of the other covenants, agreements or conditions on its part contained in the Fiscal Agent Agreement or in the Bonds and such failure shall continue for a period of 30 days after notice thereof has been provided to the City by the Fiscal Agent, such failure shall constitute a default under the Fiscal Agent Agreement.

Investments; Disposition Of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments; provided, however, that moneys in the Prepayment Account shall be invested in Permitted Investments described in clause (a) thereof. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (e) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Treasurer shall be invested by the Treasurer in any lawful investments that the City may make, which by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

Rebate of Excess Investment Earnings to the United States. The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code. On or prior to the date on which the first such calculation and rebate is due, the Fiscal Agent shall identify to the Treasurer the person or entity that will be responsible for doing rebate calculations with respect to the Bonds (the "Rebate Calculation Agent") (which person or entity, and any successors thereto, shall be acceptable to the Treasurer), and shall confer with the Treasurer with respect to any proposed change in such person or entity. The Fiscal Agent shall notify the City in writing of any amounts determined by the Rebate Calculation Agent to be due to the federal government, and shall, upon written direction from the Treasurer, withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments, the Fiscal Agent shall notify the Treasurer in writing of the amount of the shortfall and the Treasurer shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

Removal or Resignation of Fiscal Agent. The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a

successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification Or Amendment Of Fiscal Agent Agreement

Amendments Permitted. The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement, pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

A copy of any modification, amendment or supplement to the Fiscal Agent Agreement, whether with or without the consent of the Owners, shall be sent to Standard & Poor's Ratings Services and Moody's Investors Service, Inc. at least 10 days prior to the effective date thereof.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement.

If consent of the Owners is required, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City shall pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City with respect to maintenance of the tax exemption of the Bonds and to pay or cause to be paid to the Owners of the Bonds not so surrendered and pay all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which the Fiscal Agent Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise in the Fiscal Agent Agreement expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise in the Fiscal Agent Agreement expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing in the Fiscal Agent Agreement contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

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APPENDIX D

THE CITY OF ROSEVILLE

The District is located in the City of Roseville. The financial and economic data for the City is presented for information purposes only. The Bonds are not a debt or obligation of the City, but are a limited obligation of the City secured solely by the funds held pursuant to the Fiscal Agent Agreement.

General

The City is in California's Sacramento Valley, near the foothills of the Sierra Nevada. It is located about 16 miles northeast of Sacramento, the State capital, and 110 miles east of San Francisco. With a population of 66,900, Roseville is the largest city in the County of Placer in addition to being its residential and industrial center. The City was incorporated April 10, 1909. It adopted its first charter in 1934 and its present charter in 1955.

Educational facilities from kindergarten through high school are provided by four school districts. Institutions of higher learning include Sierra Community College north of the District and numerous colleges and universities in the central Sacramento area, including three junior colleges, McGeorge School of Law, California State University, Sacramento, University of California at Davis and the University of California Medical Center in Sacramento.

The City has the warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate, the average January temperature being 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and occurs mostly during the winter.

Population

The City's population in 1990 was 42,685. As of January 1998, the City's population was estimated to be 66,900, representing an increase of 56% over the 1990 census figure. The following table summarizes recent population trends for the City of Roseville, Placer County and the State of California.

POPULATION
As of January 1

Year	City	County	State of California
1990	42,685	172,796	29,758,000
1991	46,700	178,400	30,296,000
1992	49,500	184,100	31,845,000
1993	52,500	189,400	31,303,000
1994	54,400	194,100	31,661,000
1995	56,500	196,600	31,910,000
1996	59,800	206,300	32,223,000
1997	62,700	212,400	32,670,000
1998	67,300	219,400	33,226,000
1999	71,600	225,900	33,773,000

Source: Department of Finance, Demographic Research Unit; and U.S. Bureau of the Census

Employment

The civilian labor force in the City increased to an annual average of 28,810 in 1997, up approximately 1% from the 1996 average of 27,410. The following table summarizes the labor force, employment and unemployment figures over the past five years for the City, the County, the State of California and the nation as a whole.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Annual Averages for Years 1993 through 1997

Year and Area	Labor Force	Employment	Unemployment	Rate
1993				
City of Roseville	25,110	23,030	2,080	8.3%
Placer County	95,200	87,700	7,500	7.9
California	15,404,000	13,918,000	1,441,000	9.4
United States	129,941,000	121,464,000	8,477,000	6.5
1994				
City of Roseville	26,280	24,460	1,820	6.9%
Placer County	99,700	93,200	6,500	6.6
California	15,404,000	14,122,000	1,320,000	8.6
United States	131,893,000	124,729,000	7,164,000	5.4
1995				
City of Roseville	27,040	25,270	1,770	6.5%
Placer County	102,700	96,300	6,400	6.2
California	15,428,000	14,217,000	1,211,000	7.8
United States	132,470,000	125,116,000	7,354,000	5.6
1996				
City of Roseville	27,410	25,840	1,570	5.7%
Placer County	104,100	98,400	5,700	5.4
California	16,606,000	14,470,000	1,126,000	7.2
United States	135,060,000	127,899,000	7,161,000	5.3
1997				
City of Roseville	28,810	27,510	1,300	4.5%
Placer County	108,400	103,300	5,100	4.7
California	15,971,800	14,965,500	1,006,300	6.3
United States	137,493,000	124,640,000	6,409,000	4.7

Source: U.S. Department of Labor, Bureau of Labor Statistics; State of California, Employment Development Department

Industry

The North Industrial Planning Area (City of Roseville) and the Sunset Industrial Area (unincorporated Placer County) encompass approximately 10,000 acres and collectively comprise the region's industrial district. The industrial district began being recognized approximately 30 years ago and provides a base of operations for many nationally and internationally known companies.

With respect to the portion of the industrial district located within the City of Roseville, its most significant development occurred initially in 1978 with the first phase of construction of the Hewlett-Packard campus, which today encompasses an area of approximately 487 acres and is located at the southwest corner of Blue Oaks and Foothills Boulevards. Four years later, NEC Electronics began developing a memory-chip plant nearby and now owns a ±154-acre campus. Expansion of both of these facilities has occurred over the years, and each company holds adequate land in order to accommodate future growth. In fact, Hewlett-Packard submitted a new-project application to the City in late 1997 for a proposed ±230,000 square foot addition to its current plant that is now under construction. By the year 2020, an additional 8,000 to 9,000 new jobs are projected within the North Industrial Planning Area.

Set forth below is a list of the ten largest taxpayers in Placer County, by fiscal year 1996-97 property tax levy.

PRINCIPAL TAXPAYERS
June 30, 1997

Taxpayer	Type of Business	Assessed Valuation
NEC Electronics USA, Inc.[1]	Electronics	$7,164,215
Roseville Prop. Inv. Part., Ltd.[1]	Real Estate	4,638,811
Pacific Gas and Electric Company	Utility	4,410,474
Hewlett Packard Co.[1]	Electronics	2,605,851
Stanford Ranch I, LLC	Real Estate	2,485,184
Kaiser Foundation Hospitals[1]	Medical Facility	2,050,448
Roseville Telephone Company[1]	Utility	1,356,108
Pacific Bell	Utility	1,255,907
Allegheny Properties, Inc.[1]	Real Estate	892,936
Squaw Creek Associates	Real Estate	815,465

[1] Located primarily or exclusively within the City of Roseville.
Source: Placer County Treasurer-Tax Collector/City of Roseville

Commercial Activity

Taxable retail sales data for the City is shown in the table below.

TAXABLE RETAIL SALES
1993-1997
(In thousands)

	1993	1994	1995	1996	1997[1]
Apparel Stores	$ 25,176	$ 24,663	$ 24,733	$ 26,660	$ 7,260
General Merchandising Stores	93,148	93,940	104,342	133,497	39,061
Drug Stores	11,451	12,732	13,215	14,739	[2]
Food Stores	36,419	37,977	37,339	40,119	9,973
Packaged Liquor Stores	1,776	1,237	1,388	*	[2]
Eating and Drinking Places	44,951	51,393	57,742	70,203	21,781
Home Furnishings & Appliances	13,066	20,406	17,011	17,547	6,614
Bldg. Materials & Farm Implmts.	61,478	69,123	78,022	85,910	27,529
Auto Dealers and Auto Supplies	379,779	446,784	492,629	492,199	135,102
Service Stations	32,793	24,690	36,690	46,504	12,273
Other Retail Stores	57,237	76,283	88,630	112,568*	32,374
Retail Stores Total	751,274	869,228	951,741	1,039,946	291,967
All Other Outlets	113,635	169,233	205,168	215,787	60,417
Total All Outlets	$870,909	$1,038,461	$1,156,909	$1,255,733	$352,384

[1] Second quarter only.
[2] Beginning in 1997, drug stores and packaged liquor stores have been merged with general merchandise stores.
* Sales omitted because their publication would result in the disclosure of confidential information.
Source: State Board of Equalization

Assessed Valuation and Tax Collections

Taxes are levied for each fiscal year on taxable real and personal property which is situated in each City as of the preceding December 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 12% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31 of the fiscal year. A 12% penalty attaches to the delinquent

taxes on property on the unsecured roll, and an additional penalty of 5% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Record's office, in order to obtain a lien on certain property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The following table summarizes assessed valuation in the City for fiscal years 1992-93 through 1996-97.

ASSESSED VALUATIONS
Fiscal Years 1993 through 1997
(In thousands)

Fiscal Year	Secured Value	Public Utility	Unsecured Value	Total Assessed Value
1993	$3,555,161	$11,230	$131,700	$3,771,142
1994	3,740,136	12,547	122,007	3,949,595
1995	3,936,917	12,156	153,379	4,181,516
1996	4,440,430	12,536	156,872	4,695,131
1997	4,821,480	11,123	172,403	5,098,009

Sources: Placer County Auditor-Controller's Office

Delinquencies

The table set forth below shows the collection history of the City of Roseville on levies of secured property taxes from fiscal year 1992-93 through fiscal year 1996-97.

SECURED PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 1993 through 1997
(In thousands)

Fiscal Year	Total Levies	Total Collections	Percent Delinquent
1993	$6,054	$5,670	6.3%
1994	5,512	5,052	8.3
1995	5,908	6,049	(2.4)[1]
1996	6,591	6,580	0.17
1997	6,956	6,166	2.63

NOTE: Levies and collections include General, Special Revenue, Debt Service and Capital Projects Funds.
[1] Reflects one-time Teeter payment from County of Placer.
Source: Placer County Auditor-Controller

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

_____, 1999

City of Roseville
311 Vernon Street
Roseville, California 95678

OPINION: $_____ City of Roseville North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds Series 1999

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of its $_____ City of Roseville North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds Series 1999 (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq., of the California Government Code) (the "Act"), a Fiscal Agent Agreement, dated as of June 1, 1999 (the "Fiscal Agent Agreement"), by and between the City on behalf of the City of Roseville North Central Roseville Community Facilities District No. 1 and U.S. Trust Company, National Association, as fiscal agent. We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on

individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the "Disclosure Agreement") is dated as of April 1, 1999, is by and among the CITY OF ROSEVILLE, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and U.S. TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association duly organized and validly existing under the laws of the United States (the "Bank"), in its capacity as Fiscal Agent (the "Fiscal Agent") and in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of April 1, 1999 (the "Agreement"), by and between the City and the Fiscal Agent, the City has issued its City of Roseville North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds, Series 1999 (the "Bonds"), in the aggregate principal amount of $_____; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City, the Fiscal Agent and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the designees of the City to act as the disclosure representative.

"Dissemination Agent" shall mean the Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule.

"Official Statement" means the Official Statement, dated _____, 1999, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 15 after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 1999, provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such certification of the City.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the City), to the extent appropriate information is available to it, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

1. Principal amount of Bonds outstanding.

2. Balance in the improvement fund or escrow fund, as applicable.

3. Balance in capitalized interest fund or account, if applicable.

4. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.

5. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.

6. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.

7. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment.

8. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.

9. Most recently available assessed value of all parcels subject to the special tax or assessment.

10. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development status, but only to the extent shown in City records , land use or zoning classification, most recent assessed value (land and improvements).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1.1.1 **Principal and interest payment delinquencies.**
1.1.2 **Non-payment related defaults.**

1.1.3 **Modifications to rights of Bondholders.**
1.1.4 **Optional, contingent or unscheduled Bond calls.**
1.1.5 **Defeasances.**
1.1.6 **Rating changes.**
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) The Fiscal Agent shall, after obtaining actual knowledge of the occurrence of any of the Listed Events, without any determination as to materiality, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean knowledge by an officer at the Principal Office of the Fiscal Agent with regular responsibility for administration of matters related to the Agreement.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Fiscal Agent pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(d) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the City gives the Dissemination Agent affirmative instructions not to disclosure such occurrence; and

(ii) notice of Listed Events described in subsections (a)(4) and (5) shall not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Agreement.

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent and the Fiscal Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(f) hereof. If the City's obligations under the Agreement are assumed in full

by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the original City shall have no further responsibility hereunder.

SECTION 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer, the City and the Fiscal Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Dissemination Agent and the Fiscal Agent may amend this Disclosure Agreement (and the Dissemination Agent and Fiscal Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent or the Fiscal Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Fiscal Agent shall at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds (but only to the extent indemnified to its satisfaction from any cost, liability or expense, including without limitation fees and expenses of its attorneys) take such actions, or any Holder or Beneficial Owner of the Bonds may take such actions, as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed and Event of Default under the Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Fiscal Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. The Dissemination Agent and the Fiscal Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Fiscal Agent, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Fiscal Agent's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the

performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the City, the Bondholders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent or the Fiscal Agent and payment of the Bonds.

SECTION 11. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of Roseville 311 Vernon Street Roseville, California 95678 Attention: Finance Director
To the Fiscal Agent and:	U.S. Trust Company, National Association One Embarcadero Center, Suite 2050 San Francisco, California 94111 Attention: Corporate Trust Division
To the Dissemination Agent:	U.S. Trust Company, National Association One Embarcadero Center, Suite 2050 San Francisco, California 94111 Attention: Corporate Trust Division

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF ROSEVILLE, for and on behalf of
City of Roseville North Central Roseville Community
Facilities District No. 1

By: _____
Finance Director

U.S. TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent and as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: $_____ City of Roseville North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds, Series 1999

Date of Issuance: _____, 1999

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of North Central Roseville Community Facilities District No. 1 has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement, dated as of April 1, 1999, by and between the City and U.S. Trust Company, National Association, as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

U.S. TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent, on behalf of City of Roseville North
Central Roseville Community Facilities District No. 1

By: _____
Authorized Officer

cc: City of Roseville

CONTINUING DISCLOSURE AGREEMENT
(Developer)

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Richland Irvine, Inc., a Florida corporation (the "Developer") in connection with the issuance by the City of Roseville (the "Issuer") of its $_____ North Central Roseville Community Facilities District No. 1 Special Tax Refunding Bonds, Series 1999 (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of May 1, 1999 (the "Agreement") between the Issuer and U.S. Trust Company, National Association, as fiscal agent (the "Fiscal Agent"). The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer to assist in the marketing of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean an entity selected and retained by the Issuer, or any successor thereto, notice of which selection is given by the Issuer to the Developer. Absent further notice, the Dissemination Agent is U.S. Trust Company, National Association.

"Issuer" shall mean the City of Roseville, Placer County, California.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Project" shall mean the development described in the Official Statement dated September 24, 1999 with respect to the Bonds for each Developer.

SECTION 3. Provision of Annual Reports.

(a) The Developer shall, not later than April 1 after the end of the Developer's fiscal year, commencing with the report for 2000 (which for the Developer is the calendar year and thus will require this action by April 1, 2000), provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year

changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information concerning property owned by the Developer as of the date of the Official Statement and contained in the Official Statement under the headings: "THE DISTRICT – Current and Anticipated Development Within the District" and "OWNERSHIP OF PROPERTY IN THE DISTRICT – Richland Irvine."

(b) A description of the status of development of each parcel owned by the Developer within the District.

(c) A description of any sales of property within the District by the Developer since the previous Annual Report, and the status of any land purchase contracts with regard to property within the District and owned by the Developer.

(d) A description of any change in the legal structure of the Developer and any change in the beneficiary under any Deed of Trust against any of Developer's property in the District.

(e) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay the Special Tax or other taxes or assessments or to comply with its obligations under the Development Agreement.

(f) Any failure by the developer to pay when due general property taxes or assessments or special taxes with respect to its property in the District.

(g) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.

(ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.

(iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.

(iv) Initiation of bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the annual Maximum Special Tax of the District for the past or then-current year on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total annual Maximum Special Tax for the entire District for such year. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) The amendment or waiver either (i) is approved by the Bondholders of the Bonds in the same manner as provided in the Agreement for amendments to the Agreement with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report, and shall include, as

applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the Developer.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Agreement any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Developer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Subsequent Developers. The Developer will require, as a condition of sale of any property which the Developer sells within the Project resulting in a new owner who, together with affiliates or partners thereof, owns at least twenty percent (20%) of the total assessments for the entire District , that such purchaser execute a certificate substantially in the form of this Disclosure Agreement, unless this Disclosure Agreement, as it may have been amended, by its own terms would not require the purchaser to provide any disclosure. Failure of the Developer to obtain such a certificate from its purchaser shall not, however, prevent the sale of the property from closing.

SECTION 11. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Developer	Richland Irvine, Inc. 2220 Douglas Boulevard, Suite 290 Roseville, CA 95661 Attention: Steve Thurtle
To the Fiscal Agent:	U.S. Trust Company, National Association One Embarcadero Center, Suite 2050 San Francisco, CA 94111 Attention: Corporate Trust Division

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: May _____, 1999

RICHLAND IRVINE, INC., a Florida corporation

By: _____

Its: _____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: $_____ City of Roseville, North Central Roseville Community Facilities District No. 1, Special Tax Refunding Bonds, Series 1999

Date of Issuance: _____, 1999

NOTICE IS HEREBY GIVEN that Richland Irvine, Inc. (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by _____.

Dated: _____

_____
on behalf of the Developer

By: _____

Its: _____

cc: Developer

DO NOT STAPLE THIS FORM

08-103304

MSRB

FORM G-36(OS) – FOR OFFICIAL STATEMENTS

SECTION I – MATERIALS SUBMITTED

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1. ☒ A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)

   (a) DATE RECEIVED FROM ISSUER: 6-7-99 (b) DATE SENT TO MSRB: 6-7-99

2. ☐ AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

   (a) DATE RECEIVED FROM ISSUER: _____ (b) DATE SENT TO MSRB: _____

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (*e.g.*, preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE: ☐

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original Form G-36(OS)): ☐

SECTION II – IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately. If more space is needed to list additional issues, please include on separate sheet and check here: ☐

A. NAME OF ISSUER: Roseville (City of) STATE: Ca

DESCRIPTION OF ISSUE: No. Central Roseville CFD No 1 DATED DATE: 6/8/99

B. NAME OF ISSUER: _____ STATE: _____

DESCRIPTION OF ISSUE: _____ DATED DATE: _____

C. NAME OF ISSUER: _____ STATE: _____

DESCRIPTION OF ISSUE: _____ DATED DATE: _____

SECTION III – TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 9-1-17

B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 5-27-99

C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 6-8-99

D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE: ☒

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV – UNDERWRITING ASSESSMENT INFORMATION

This information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

A. MANAGING UNDERWRITER: Stone & Youngberg LLC SEC REG. NUMBER: 8-03149

B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: $ 58,660,000.00

C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): $_____

D. CHECK ALL THAT APPLY:

1. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

2. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

3. ☐ This offering is exempt from SEC Rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC Rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of $100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

CONTINUED ON OTHER SIDE

SECTION V – CUSIP INFORMATION

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

A. CUSIP-9 NUMBERS OF ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
9-1-00	777870DFØ	9-1-17	777870DQ6		
01	G8				
02	H6				
03	J2				
04	K9				
05	L7				
06	M5				
07	N3				
08	P8				

B. IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW: ☐
(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____

State the reason why such securities have not been assigned a "CUSIP-9": _____

C. IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE: ☐

State the reason why such securities are ineligible for CUSIP number assignment: _____

SECTION VI – MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.

RECEIVED
JUN - 8 1999
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